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Post-War Tax Imponderables

In opening the "Symposium on Post-War Taxation" held by the Associate Membership of the New School for Social Research in New York City on Jan. 30, A. Wilfred May, who presided, urged his audience not "to lose sight of the economic background behind suggested tax changes." He pointed out the "imponderables" facing the plans for tax reforms as indicated by the wide disparities in estimates of post-war Government expenditures and in the future levels of national income.

A. Wilfred May

"Everyone, from the time of Adam Smith down to Henry George," Mr. May began, "has agreed on certain desiderata of taxation, such as:

"Taxes should be levied in proportion to ability to pay . . .

"The manner of taxation should be convenient to the taxpayer . . .

"The collection cost should be kept at a minimum. . . .

"Taxes should not interfere with production . . .

"And post-this-war: Everyone,

(Continued on page 647)

Index of regular Features on page 648.

The Recent International Civil Aviation Conference

By DONALD L. KEMMERER

Assistant Professor of Economics, University of Illinois

Dr. Kemmerer Reviews the Previous Aviation Conferences and the Conditions That Led Up to Recent International Conference in Chicago. Points Out That the "Closed Sky" Principle Has Become Antiquated Due to War-Time Growth of Aviation and That the "Five Freedoms" of the Air, Viz.: (1) Innocent Passage; (2) Technical Stops; (3) the Right to Traffic From the Home Country to Another; (4) Return Traffic, and (5) Intermediate Traffic Hauls, Are Comparable to the "Freedom of the Seas." Explains the Antagonistic British and American Views Regarding an International Quota System and Shows that Each Favors a Policy Opposed to Their Previous National Ideas. Contends That Inability to Arrive at a Compromise Will Lead to Bilateral Arrangements, and Bitter International Rivalries, But Believes Groundwork Is Laid for Another Conference.

World Aviation Conferences

The third of the world's historic international civil aviation conferences ended in Chicago on Dec. 7 after being in continuous session 37 days. The first of such conferences produced the document known as the Paris Air Convention of 1919 which recognized the principle that "every power has complete and exclusive sovereignty over the air space above its territory." It also established a permanent commission and drew up certain minimum technical requirements. The United States did not ratify this Convention. The second conference produced the Havana Convention of 1928 which we did ratify but which dealt with western hemi-

Donald L. Kemmerer

(Continued on page 636)

The Economic and Political Consequences of Lord Keynes' Theories

By PHILIP CORTNEY

Vice-Chairman of the Board and Treasurer of Coty, Inc.

I

Exchange Stability and the Hostility of Lord Keynes

Writer Directs Attention to the Paradoxical Campaign in England for Exchange Control and Against the Gold Standard. He States That the Campaign Has Its Roots in Philosophical and Social Doctrines. Asserts That Lord Keynes Is the Spiritual Father of the Campaign and Therefore Discusses Lord Keynes' Social and Political Philosophy. Maintains and Stresses That Exchange Stability Is a "Sine Qua Non" of Harmony Among Nations and of Our Liberties. Holds That Gold Has Well Served Humanity Because Its General Acceptance Has Made Possible an International Monetary System.

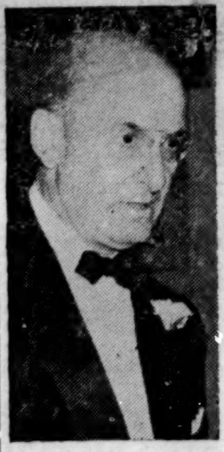
An opinionated campaign is being conducted in England against the gold standard and against monetary stability, and sometimes even in favor of maintaining exchange control. This campaign is significant in that it is addressed to the masses and is based on emphatic assertion of controversial theses or even untruths. On the first page of the Daily Express, one could quite recently read an article with the title in letters one inch high: "1925 and All That—Only Far, Far Worse", and signed by Paul Einzig. This campaign

Philip Cortney

(Continued on page 628)

Secretary Morgenthau Answers Bankers' Report on Bretton Woods

At Press Conference, He Intimates That Amendments to Plans Would Destroy Them. Looks for Early Congressional Action. Says Too Few People Understand Proposals, and That Public Requires Further Elucidation, so Treasury Officials Will Continue Activities in Support of Plans. Holds Many Bankers Advocate Adoption of the Proposals.



Sec. Morgenthau

At a press and radio conference held in Washington on Feb. 5, Secretary of the Treasury Henry Morgenthau, Jr., expressed regret that the joint report of the Committee of three bankers associations relating to the international financial proposals by the Bretton Woods Conference was made public. He praised the wartime cooperation of the banks with the Treasury but "pointed out to them that if they made a statement along the lines criticising what was done at Bretton Woods, the net result would be that if their advice was listened to, it would simply kill it."

Present with Mr. Morgenthau at the conference were Harry D. White and Mr. Bell of the Treasury Department.

(Continued on page 644)

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Making Democracy Effective

By W. RANDOLPH BURGESS*

President of the American Bankers Association
Vice-Chairman of the Board, the National City Bank of New York

Prominent Banker Calls Attention to Trends Away From Democracy, and While Admitting That War Has Made Dictatorship Attractive to Many People and That Post-War Problems Point Toward Continued Regimentation and Controls, Particularly in Banking, He Asserts That the Remedy Lies in "Doing Our Job as Better Bankers," in Paying More Attention to Political Questions, and Have People "Whose Main Business Is Working With the Government." Says Socialized Credit Moves in Opposite Direction From Democracy, and Guaranteed Credit Makes Banker "A Glorified Slot Machine."

Probably the most serious practical problem for every banker and every business man in the United States today, next to winning the war, is not how will reconversion be handled, or what's going to happen about taxes, or how badly are we going to be hurt by inflation. There is one problem which is far more fundamental and more urgent. It is simply this: All of us give lip service to the beauties of democracy. We say that we believe in the democratic way of life. Well, do we? How much do we honestly believe in it?

W. R. Burgess

We have lost a good deal of our democracy, and most of that is our own fault. We have taken too much for granted. We have assumed that our Constitution, our Bill of Rights, our Supreme Court, and our carefully cherished political traditions were all the safeguards our country needed.

It is characteristic of many subversive political changes that they come gradually and inconspicuously, here a little and there a little, gaining control more and more without seeming at a given moment to be doing anything very alarming.

The attrition of democracy in the United States has been going on for a long time. We have always had well meaning people who prefer force to persuasion, and whose ideal of government is a small group of all-powerful

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*A paper prepared by Mr. Burgess for the 26th Mid-winter Trust Conference, American Bankers Association.

(Continued on page 633)

Deane Weaver Now Associated With G. Brashears & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Deane L. Weaver has become associated with G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Weaver in the past was manager of the wholesale department for Crowell, Weedon & Co. and was an officer of Edgerton, Riley & Walter, Inc.

The Treatment of Capital Gains And Losses

By RANDOLPH E. PAUL*

Former General Counsel of the Treasury

Mr. Paul Discusses the *Pros* and *Cons* of Capital Gain Taxes, and Explains Their Shortcomings as Well as Their Fiscal and Political Implications. Contends That Capital Gains Taxes Are Essential to Prevent Tax Avoidance and Denies That the Elimination of the Tax Would Stop Depressions. Bulk of Capital Gains Taxes, He Says, Come From Stock Transactions and From Persons in the High Income Brackets, and Says Variations in Capital Gains Revenue Have Been Determined Primarily by Changes in Stock Prices. Says the Capital Gains Tax Is Not the Only Levy Discouraging Risk Capital and Admits There Are Inequities in It.

Sound results in taxation are not always achieved in direct proportion to the number of words that are spoken and written on a particular subject. Sometimes the very opposite may be true — as, for example, with the treatment of capital gains and losses. Reams have been written about them and for three decades they have been the subject of almost constant debate. Today they still pose an unsolved problem.

Randolph E. Paul

Before 1921 capital gains were taxed in the same manner as any other income, and losses were deductible without restriction. Since 1921 our tax system has distinguished between the common garden variety of gains and the kind known as "capital" gains. It has also differentiated between ordinary losses and capital losses. There is, of course another possible method of treating capital gains and losses, and that is to ignore them altogether. That is what the British are somewhat inaccurately said to do.

Why should capital gains be treated more favorably than any other kind of income? Advocates of special treatment have one good reason for their stand and several other reasons which, I believe, weaken under the light of careful scrutiny.

The good reason applies only to gains which have accrued over a reasonably long period of time—at least more than a year. Realiz-

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*An address by Mr. Paul before the Associate Members of the New School, New York City, Jan 30, 1945. Mr. Paul is now a member of the law firm of Lord, Day & Lord, New York City.

(Continued on page 625)

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Post-War Problems in Their Relation to Securities

By HON. J. EDWIN LARSON*
State Treasurer of Florida
Chairman, Florida's Securities Commission

Mr. Larson Analyzes Transition Problems from War to Peace, and Lists as Requiring Early Determination: (1) Prompt Payment of Cancelled War Contracts; (2) Early Disposition of Government Surpluses; (3) Sale of Government Plants and Equipment; (4) Creation of Jobs for Ex-Service Men and Women; and (5) Taxation Reforms. Sees No Need for a Post-War Depression and Urges a Study of Conditions Essential to Prosperity. Advocates a Streamlining of Securities Laws to Encourage Investment and Giving Encouragement to the Small Securities Dealers and the Small Investor. Contends There Is No Such Thing as "Riskless Business" and That Regulatory Bodies Should Consider This. Calls for Liberal Policy in Regulation.

J. Edwin Larson

It hardly seems possible that more than 15 months have elapsed since last we met in Cincinnati in our 26th annual convention, but time passes swiftly in these hectic days when we have so much to do. The rapid passing of this time reminds me of the story of the old lady who kept a parrot which was noted for his prolific use of profanity. She put up with this all week because she was quite fond of the old bird, but was unwilling to see the Lord's Day desecrated in this manner so she kept a cover over the cage each Sunday, removing it Monday morning. One Monday afternoon she saw her minister coming up the walk toward the house on one of his regular pastoral visits, so she quickly placed the cover over the cage. As the reverend gentleman entered the parlor the parrot remarked, "It's been a damn short week!" So I say to you now, relatively, this has been a ——— very short fifteen months.

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*An address by Mr. Larson at the 27th Annual Convention of the Association of Securities Commissioners, St. Louis, Mo., Dec. 18, 1944.

(Continued on page 630)

P. B. McGinnis to Be Principal Speaker At N. Y. Dealers Dinner

Patrick B. McGinnis

Patrick B. McGinnis, partner in the New York Stock Exchange firm of Pflugfelder, Bampton & Rust, New York City, who will be the principal speaker at the 19th Aniversary Dinner of the New York Security Dealers Association to be held on Thursday, Feb. 15, at the Waldorf - Astoria Hotel, at 7:30 p.m.

Mr. McGinnis, a railroad reorganization expert, will speak on "A History and Forecast of Railroad Finance," in regard to which he is considered one of the foremost authorities.

Full details on the dinner were previously given in the Financial Chronicle of Jan. 25. Indications are that the dinner will have the largest attendance of any in its history.

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International Investment Position Of the United States

By ROBERT L. SAMMONS*
International Economics and Statistics Unit,
U. S. Bureau of Foreign and Domestic Commerce

Analyzing the Present Investment Position of the United States, Mr. Sammons States That Due to Wartime Developments, the Nation, from the Standpoint of International Payments, Has Become, for the Time Being, a Debtor Nation, Though on the Basis of Long-Term Investments It Is a Substantial Creditor. However, on Either Basis, He Holds the U. S. Is Far From Being the Greatest Creditor Nation of All Time. Says the Net-Creditor Position of U. S., Estimated at $4.4 Billion, Is Small by Almost Any Standard of Comparison and About One-Fourth of the Maximum Creditor Position Reached by Great Britain. Sees Opportunity for Substantial Expansion of Post-War Foreign Investments.

Robert L. Sammons

Under the influence of wartime developments, foreign balances and investments in the United States increased until, as of September, 1944, they exceeded United States holdings abroad by an amount estimated at some $1,200,000,000 (table 1). By a widely accepted although somewhat technical criterion, therefore, the United States has become, at least for the time being, a "debtor" nation.

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*Reprinted from "Foreign Commerce Weekly," Jan. 27, 1945, published by the U. S. Department of Commerce.

(Continued on page 638)

The Significance of Public Debt

By MURRAY SHIELDS*
Economist of Irving Trust Company, New York

Mr. Shields Reviews the Growth of Public Debt in Britain and U. S. and Points Out That It Has Been Accompanied by an Equally Significant Growth in Economic Resources and Productivity. Ascribes the Present Absence of Inflation Effects to "the Deluge of Goods and Services" During the War, but Warns That Unless the Forces Making for Expansion in Private Enterprise Are Freed, Grave Problems Portend.

Murray Shields

On Pearl Harbor Day our national debt was about $62 billion. Today it exceeds $230 billion and it may be well beyond the $300 billion mark before the full cost of the war has been met.

What does so colossal a debt mean to us? A lively controversy prevails as to its economic portent, some people arguing that the increase in the debt means almost certain ruin, others that it has no important economic significance. Probably the truth lies somewhere in between these two extremes; and the actual effect of the debt increase will depend in large measure upon what we as a nation do or fail to do in a number of other important respects.

British experience is frequently cited as disproof of the idea that more and more spending and a bigger public debt necessarily spell economic disaster for a country. Mr. Henry A. Wallace referred to the British record in his testimony before the Senate Commerce Committee. But the real significance of the British

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*A paper by Mr. Shields prepared for the 26th Mid-Winter Trust Conference, Trust Division, American Bankers Association.

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Must Sell Consumers $145 Billion of Goods to Create 57 Million Jobs

Arno H. Johnson Holds This Can Be Done by Raising Living Standards Fully Double Our Pre-War Level. Says It Is the Job of Post-War Advertising and Marketing to Create the Demand, and Believes the Growth in U. S. National Income Will Continue as Heretofore.

Arno H. Johnson

Arno H. Johnson, Director of Media and Research of the J. Walter Thompson Company, in addressing the Sales Executives Club of New York City on Feb. 6 expressed optimism regarding the prospects of maintaining a high level of employment in the post-war period and stated the belief, which he supported by the exhibition of elaborate charts, that we can have "an economy which will be capable of providing for the great mass of our population a standard of living fully double our pre-war level."

Mr. Johnson began by saying: "We must sell to consumers $145 billion of goods and services annually in the post-war years if we are to provide employment for the 57 million persons who will want jobs"—that is more than double the pre-war peak of $71 billion of consumer goods and services sold in 1929 or the $66 billion sold in 1940. The task of raising the levels of consumption far enough and fast enough to catch up with the enormous increase in our proven ability and capacity to produce presents both an opportunity and a challenge to all in the field of marketing."

"The cautious way to open a discussion of post-war prospects," he continued, "would be to state that markets will depend largely on the kind of economy we will have—and the predictions of our

(Continued on page 645)

NSTA Notes

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association renewed its Annual Mid-Winter get-together by holding a banquet at the Lord Baltimore Hotel on Jan. 26, 1945.

The affair was attended by approximately 200 persons, including Edward E. Parsons, William J. Mericka & Co., Inc., Cleveland, President of The National Security Traders Association, Inc.; Richard F. Abbe, Van Tuyl & Abbe, New York, President of the Security Traders Association of New York, Inc., and Russell M. Dotts, Bioren & Co., Philadelphia, President of The Investment Traders Association of Philadelphia.

As usual, there were no speeches, and a brand of entertainment was presented that seemed to please the boys immensely. A general feeling of good fellowship and sociability was evident throughout the entire evening, and the prizes drawn for were just what the doctor ordered. The Committee in charge was given a vote of thanks for a job well done.

BOSTON SECURITIES TRADERS ASSOCIATION

Because of transportation shortage, the Boston Securities Traders Association has postponed its annual winter dinner which had been scheduled for Feb. 21.

Calendar of Club Events

Twin City Bond Traders Club—Annual Winter Meeting, Feb. 21.

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American Optical
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Nat'l Ass'n of Inv. Cos. Quarterly Bulletin

The National Association of Investment Companies, which represents 117 companies with combined assets of over $1,500,000,000 has published the first issue of a new quarterly statistical bulletin covering closed-end investment company securities. In convenient form, the bulletin includes the more important statistics which are not easily obtained from any other single source.

The sole purpose of this quarterly bulletin is to provide as much information as is feasible within the limits of a publication of this type to aid the individual investor to make his own decisions about the various closed-end investment company securities which are best suited to his purpose.

Securities of closed-end investment companies are divided into separate categories in the bulletin as follows:

1. Investment Company Common Stocks
    A. Non-leverage, general portfolio
    B. Non-leverage, specialized portfolio
    C. Conservative leverage
    D. Medium leverage
    E. High leverage
    F. Options
2. Investment Company Preferred Stocks.
3. Investment Company Bonds.

Copies of this bulletin may be obtained free of charge by writing to Lucile Tomilson, Executive Assistant, National Association of Investment Companies, 61 Broadway, New York 6, N. Y.

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Oscar Burnett & Co. Adds Otis Phillips to Staff

Greensboro, N. C.—Otis D. Phillips has joined the staff of Oscar Burnett and Company, 506 Southeastern Building. Mr. Phillips has recently been associated with McDaniel Lewis & Co. In the past he was with Merrill Lynch, Pierce, Fenner & Beane.

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Government Controls and Industry's Pricing Policies

By HOWARD E. BLOOD*

President, Norge Division, Borg-Warner Corporation, Detroit

Industrialist, Though Admitting That Price Inflation Checks Are Needed in Reconversion Period, States That If OPA Takes Its Present Course, Manufacturers Will Be Forced to Absorb Unavoidably Increased Costs. Attacks the "Profit Pinching Policy" as Detrimental to Full Reemployment, and Cites the Case for a Restoration of Profit Margins. Argues That Distributors' Historic Margins Should Not Be Squeezed Down, and Expresses Opposition to the Use of Government Capital and Taxing Powers to Favor Special Types of Business in a Competitive Enterprise System.

Howard E. Blood

Whenever a business man nowadays dares to raise his voice in protest against OPA's publicly announced profit squeezing intentions, he is called an inflationist and a profiteer. And the highly skilled propaganda machine of OPA, together with its facilities for publicity by radio and the Press, in too many cases are causing business men to feel helpless and to stand mute.

Let's start out by again recognizing and acclaiming the great service rendered by OPA in holding the line against runaway price inflation. No other segment of our people is more keenly aware than business men of the dangers of inflation and of the need for holding the line.

Likewise, let us bodly state that business men know that conversion period and post-war employment in manufacturing and distribution will be up to them, and they also know that they cannot provide that employment if their profit ratios are squeezed to the extent threatened by OPA.

It seems almost trite to say that as soon as this horrible war comes to a point where there are substantial cutbacks in war orders, we must have extensive and rapid reconversion in the important durable consumer goods industries in order to avoid serious unemployment. If we let nature take its course this reconversion would probably be rapid, but would be accompanied by a bad price inflation in scarce goods, caused by attempts to cope with taxes, higher costs and a scramble for higher wages and profits.

If we let OPA take its present course, manufacturers will be forced to absorb unavoidably increased costs or, at best, to recover their costs without profit; and in cases where any relief at all is given manufacturers in order to absorb their costs, distributors will be forced to absorb the increase out of their margins. And in discussions of increased costs

(Continued on page 634)

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*An address by Mr. Blood before the American Management Association Finance Conference, Hotel Biltmore, New York City, Feb. 1, 1945.

Bowles Says Distributors Must Share in Absorbing Higher Costs

At Conference With Wholesalers and Retailers He Says Profits Have Risen or Have Been Maintained, But Promises Relief in Cases Where Ceiling Prices Are Below the Generally Fair and Equitable Level.

Chester Bowles

If consumers are to be protected from serious inflationary pressures facing the nation in 1945, it will be necessary for retailers and wholesalers to absorb their share of cost increases wherever possible, Price Administrator Chester Bowles told representatives of wholesalers and retailers in Washington on January 23.

In a conference with a cross-section of representatives of wholesalers and retailers in the department store, dry goods, furniture and hardware fields today, Mr. Bowles and other Office of Price Administration officials discussed this problem and outlined some suggested methods of putting OPA's policy into operation.

The trade representatives were asked to suggest ways in which policies of "cost absorption" could be applied to wholesale and retail businesses, with special emphasis on the difficult problem of methods of measuring the amount of cost increases that distributive trades could absorb.

The Price Administrator pointed out that during the last two and a half years of price control, manufacturers producing civilian goods have absorbed many increases in wage rates and in materials prices without corresponding increases in the ceiling prices of their products.

This policy of "cost absorption" within reasonable limits was explained to Congress in detail last Spring, he said, and received its approval as the only means through which the threat of rising prices could be averted. The Emergency Court of Appeals has also upheld its validity.

"Manufacturers have absorbed these extra costs, and, with few exceptions, have still made far higher profits than they made before the war," Mr. Bowles said.

"In justice to consumers, on the one hand, and manufacturers on the other," he continued, "I believe we have no choice but to apply the same approved principle of cost absorption to the distributive trades as well as to manufacturers."

Although OPA has required distributors in some fields to absorb cost increases from time to time, it had not previously worked out

(Conitnued on page 635)

Fed. Savs., Loan Ins. Assets Up in 1944

Resources of the Federal Savings and Loan Insurance Corporation increased by $8,986,163 to a total of $155,807,421 during 1944, William H. Husband, General Manager of the Corporation, announced on Feb. 3. Reserves and unallocated income of the Corporation reached $53,269,983 on December 31, a gain of $8,695,850 for the year, he reported. The advices from the Corporation added:

"Net income of the Corporation for 1944 amounted to $7,578,833, as against $7,151,852 in 1943."

Reviewing the decade of experience of the Corporation in protecting investors in savings and loan associations and contributing to the stabilization of the nation's home financing institutions Mr. Husband said: "By law the Insurance Corporation is empowered to act to prevent default of an insured association or to restore an institution in default to normal operation. For this purpose the Corporation has made cash contributions to 28 associations since it was established in 1934."

Mr. Husband also said:

"Seven other associations have been placed in liquidation by supervisory authorities over the same period. Two of the receiverships have been completed, paying the Insurance Corporation liquidating dividends of 48% and 93%. In the five associations still in process of liquidation it is estimated that the Corporation will recover over nine-tenths of the amount disbursed to pay off the insured shareholders. No insured association has been placed in liquidation since 1941.

"The net disbursements of the Corporation for aid to institutions in difficulty and to pay off investors in liquidating associations amounted to an estimated $5,900,000, from the inception of the Corporation up to the end of 1944.

"Insuring funds of some four million people in nearly 2,500 savings and loan associations against loss up to $5,000 each, the Federal Savings and Loan Insurance Corporation stands as an ultimate bulwark for investments in thrift and home financing institutions. The first line of security, of course, is the established strength of the insured institutions themselves."

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Gt. Brit. & Can. Inv. 4½, 1959
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Public Utility Securities

A Favorable Rate Decision

Strength in utility issues recently has been attributed to several factors—the increasing popularity of "peace" stocks, the Supreme Court decision in the United Light & Power Case, and the Pennsylvania rate decision. The latter was an extremely favorable opinion of the Pennsylvania Public Utility Commission with respect to rates of Pennsylvania Power & Light, important subsidiary of National Power & Light. The Commission not merely found present rates to be reasonable, but went out of its way to discuss in considerable detail many problems with respect to utility valuation, taxation and earning power.

This was one of the few really favorable decisions which the utilities have obtained in recent years. The changed political situation in Pennsylvania may, of course, have had something to do with the present composition of the Commission and the liberality of the majority views. While the decision will have no immediate effect on utility earnings, in Pennsylvania or elsewhere, it serves as a backfire against the many anti-utility decisions and policies of recent years, which have had their principal source or inspiration in Washington.

The Commission, in considering the valuation of the property of Pennsylvania Power & Light, evidently considered that it had a mandate to follow the old-fashioned Smyth vs. Ames Supreme Court philosophy and hence studied reproduction cost, acquisition cost, original cost, going concern value, working capital and accrued depreciation, finally arriving at its own ideal of "fair value." After allowance for depreciation (estimated at 15%) it reached the following conclusions (round figures): Reproduction cost based on spot prices, $194,000,000, and adjusted to average prices, $174,000,000; acquisition cost was discarded as inaccurate; original cost as submitted was $164,000,000, and after adjustment for questionable items $149,000,000. After taking into account going-concern value (for which the company had claimed some $24,000,000) and allowing $7,000,000 for working capital, the Commission decided that fair value (as of Dec. 31, 1942) was approximately $202,000,000. After a similar consideration of gas and steam properties, $18,000,000 was added bringing total fair value to around $220,000,000 (net after depreciation).

Surprisingly, this figure was well in excess of the amount now carried on the company's books (about $197,000,000 at the end of 1942). While FPC findings regarding original cost have not yet been fully clarified, the Commission has proposed write-offs of approximately $47,000,000 (with an additional $5,000,000 taken out of depreciation account). A substantial amount would be written off currently and the balance amortized over a 15-year period. On this basis, the Commission's findings with respect to original cost (net) appear to be around $150,000,000, including gas and steam properties. This is below the results obtained by the State Commission and some $70,000,000 less than the rate base (fair value) which was found warranted by the Pennsylvania Commission.

The Commission was also liberal in its views on fair return. Six per cent was allowed on electric property, 6½% on gas and 6¾% on steam heating plant. Combining fair return and fair value for the three parts of the property (electric, gas, steam) the earnings "ceiling" (before interest and dividends) was fixed at $13,337,650. The company's recent earnings have been about $11,150,000, but the Commission estimated that, due to the burdensome effect of Federal taxes, the company is actually earning only about $4,000,000.

This surprising figure was the result of a long analysis of the effects of Federal taxes. The Commission pointed out, with the aid of an arithmetic demonstration, that present Federal taxes penalize any utility company which has done a considerable amount of bond financing at low rates. It holds that the original theory of "fair return" was an overall percentage on the total value of the property without penalty for the additional gains accruing to common stockholders as a result of borrowing senior capital at rates less than the fair rate of return. Hence, Federal taxes should be construed on the same basis, and it is this assumption that accounts for the downward adjustment in current earnings from about $11,000,000 to $4,000,000.

The Commission also took exception to the assumption made in other regulatory quarters that the Federal excess profits tax (together with the 16% surtax) are wartime emergency taxes and "improper measures of future tax cost." The Pennsylvania Commission felt that due to the necessity of servicing and repaying the war debt, a return to the 24% corporate tax will be unlikely for many years to come. Possibly the Commission had in mind the recent Michigan rate orders which diverted large year-end rebates of revenues to customers, on the theory that the excess profits taxes are an abnormal, emergency tax.

The decision is too lengthy to discuss fully in this review, but it constitutes a landmark in current discussion of utility problems.

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The Supreme Court and the Power of Congress to Regulate Money

By RINEHART J. SWENSON*

Chairman, Department of Government, New York University

Holding the Federal Power to Regulate Money Is Exclusive, Professor Swenson Asserts That There Would Seem to Be No Constitutional Objection to the Monopolization of the Banking Field by the National Government by Bringing All Commercial Institutions Into the Federal Reserve System. Holds That Supreme Court's Decision Upholding the Invalidation of Gold Contracts as an Exercise of the Sovereign Power to Regulate the Value of Money Was Inescapable, and Maintains Congress Has Constitutional Power to Carry Out the Provision of Bretton Woods Proposals. Says There Is a Tendency to Confuse Power With Policy and to Reason That Where Power Exists, It Is Likely to Be Abused.

Federal Power Exclusive

Dr. R. J. Swenson

The controlling reason for calling the Constitutional Convention of 1787 was to find relief from the competitive, confusing and destructive State legislation affecting commerce and industry. It was not surprising, therefore, that the makers of the Constitution conferred upon the national government broad and exclusive powers over the commerce and money and currency of the Union.

Accordingly, the Constitution vests in the Congress powers "to borrow money on the credit of the United States"; to coin money, regulate the value thereof, and of foreign coin"; and "to make all laws which shall be necessary and proper for carrying into execution the foregoing powers." That this grant of power was exclusive with Congress has been held consistently by the Supreme Court since the early case of *McCulloch v. Maryland.*[1]

But the fathers did not leave the exclusiveness of the power to mere affirmative grant to the Congress; they imposed positive prohibitions upon the States when they declared that "no State shall . . . coin money; emit bills of credit; make anything but gold and silver a tender in payment of debts; pass any . . . law impairing the obligation of contracts." These limitations do not deny to a State the authority to establish State banking corporations with power to issue bills payable to the bearer, in gold or silver, on demand, since such bills are not "bills of credit," as they are not issued by a State, on the faith of a State, and designed to circulate as money.[2] However, Congress may drive these bills out of circulation as an incident to its power to provide a uniform currency system for the United States, or more specifically, to protect the currency which it has created, namely, the legal tender notes and the notes of the national banks.[3]

Further, a State may not by taxation or other means interfere with any agency or instrument created by Congress for the purpose of carrying out its money powers. So a State may not tax, without the consent of Congress, a bank[4] created, or any of the securities[5] issued by the United States.

(Continued on page 643)

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*An address by Professor Swenson before the Institute on Money and the Law, New York City, Jan. 15, 1945.

[1] 4 Wheat. 316 (1819).

[2] *Briscoe* v. *Bank of Kentucky,* 11 Pet. 257 (1837); reaffirmed in *Darrington* v. *Bank of Alabama,* 13 How. 12 (1851), where the State was not only the sole stockholder but had pledged its faith for the ultimate redemption of the notes. *Poindexter* v. *Greenhow,* 114 U. S. 270 (1885), interest coupons attached to State bonds, although promises to pay money backed by the credit of the State, and receivable for taxes, not bills of credit.

[3] *Veazie Bank* v. *Fenno,* 8 Wall. 533 (1869).

[4] *McCulloch* v. *Maryland,* 4 Wheat. 316 1819); *Osborn* v. *United States Bank,* 9 Wheat. 738 (1824). For State authority to tax National Banks see *Revised Statutes,* sec. 5219 and *National Bank* v. *Anderson,* 269 U. S. 341 (1926).

[5] *Weston* v. *Charleston,* 2 Pet. 449 (1829), *Bank of Commerce* v. *Commissioners,* 2 Black 620 (1862), *Bank Tax Case,* 2 Wall. 200 (1864), United States stock; *Bank* v. *Supervisors,* 7 Wall. 26 (1869) United States notes issued under Acts of 1862, 1863.

Pacific Coast Securities

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Tomorrow's Markets Walter Whyte Says—

Increased margins doesn't feaze market. Present indications paradoxically point to advance and dullness at same time. New stocks recommended.

By WALTER WHYTE

The indications of coming strength discussed in last week's column were borne out in the action of the market during the past few days.

Oddly enough the Federal Reserve Board's raising of margin requirements from 40% to 50% had little effect on prices. If anything it seemed to stimulate some of them. Certainly last Saturday's activity had a great deal of pre-margin buying in it. One of the reasons the ruling didn't seem to make much difference was the fact that it didn't come as any surprise. Early in January intimations of such an increase were evident.

* * *

Actually, the change has had little practical effect on margins. For even if they went up 10% most of the buying is either for cash, or so close to cash, that to all intents and purposes, it's the same. Debits are comparatively small today. Back in 1929 when everybody and his bootblack was in the market debits amounted to almost $8,000,000,000. As of last Saturday member firm borrowings amounted to only $564,000,000. It is doubtful if this loan figure will go up much more. For if it does it is almost certain that margin requirements will go back on the Federal Reserve agenda.

* * *

The most important news in the offing is the decisions that will come out of the Roosevelt - Churchill - Stalin talks, now supposed to be underway in some yet unnamed spot. Although no one should be naive enough to imagine that the basic decisions made by the Big Three will become public news in the immediate or even the near future. The

(Continued on page 646)

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International Air Trade and Travel Routes of the Future

By L. WELCH POGUE*
Chairman, Civil Aeronautics Board

Leading Federal Aviation Official Discusses the Proposed International Air Routes of Which 20 Have Been Already Announced. Predicts Great Expansion in Future International Aviation Operations but States That It Has Not Been Decided Whether There Shall Be More Than One American Flag Carrier in the International Field or Whether There Shall Be Competition. Holds the Chicago Aviation Conference Accomplished Important Steps in Encouraging International Aviation and Predicts American Shipping Will Not Be Adversely Affected by Growth of International Aviation but May Be Benefited by the New Traffic Thereby Stimulated

I deeply appreciate the privilege of speaking to the New York Board of Trade. Your membership represents the active and vigorous business leadership of the very great city of New York. I prize the opportunity of discussing with so distinguished a group some plans and ideas relating to the future.

L. Welch Pogue

Sometime in the latter half of the '20's some men, fired with the courage of their convictions and willing to risk their money and careers in the establishment of commercial air service—a daring venture then—started in the Caribbean area our first small international air operation. From that nucleus grew, during the '30s, the very extensive system of American flag international air lines known as Pan American Airways. If we include the Pan American-Grace Airways, 50% of which is owned by Pan American and 50% by W. R. Grace & Co., the Pan American Airways System operated more route miles by far than the next largest international operator before the war. In 1940, American Export Airlines was authorized to operate a temporary service across the Atlantic, although its operations did not actually start until after the entry of the United States into the war.

Modern war called for air transport operations to serve theatres of war all over the world. The Air Transport Command was created in the War Department and grew to fill this need. It started with a small nucleus of personnel, many of whom were key officers and technical experts taken from the domestic air lines. And it had only a small number of transport aircraft, most of which were likewise taken from the domestic air lines. It wisely utilized, under contract, the "know-how" and the services of the air line organizations themselves. Intelligently directed, the Air Transport Command has expanded until it is operating approximately 125,000 miles of routes every day, carrying enormous numbers of passengers and millions upon millions of pounds of cargo annually. As of a recent date, the Air Transport Command was operating across the North Atlantic alone approximately 65 trips daily.

In addition, the Naval Air Transport Service has likewise built up a very extensive operation serving naval establishments throughout the world.

These two services, plus the limited amount of commercial transoceanic international service which could be continued during the war, have, in one of history's twinklings, transferred the prospect of transoceanic passenger travel very substantially from the surface to the air. There will, of course, be many pleasant sea voyages hereafter as heretofore; but for then man whose object is to get there, the war has proved the safety of the air and the superiority of air travel in time saved. And speaking of safety, have any of you stopped to think recently of how crazy you would have thought your neighbor had he, 10 years ago, prophesied that it would be safe within a decade to cross the Atlantic by air? While

(Continued on page 642)

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*An address at the First International Aviation Luncheon sponsored by the Aviation Section, New York Board of Trade, New York City, Jan. 24, 1945.

Railroad Securities

Even in these days of rehabilitated railroad credit it is unusual to see an operation refunding the entire bonded debt of an individual road at one time. Two such operations are scheduled for this month. The first, Wabash which presumably will have been completed by the time this article appears, is not so noteworthy inasmuch as the road has recently been reorganized and emerged with only one series of one mortgage. The other, Pere Marquette, scheduled for later in month, is noteworthy in that only a few years ago the road was among the suspect of the so-called marginal roads. Ability at this time to contemplate such a comprehensive program is a testimony not only to he generally better investment feeling towards railroads in general, but also to the outstanding progress made by the Pere Marquette management in putting its financial house in order.

The company embarked on a debt retirement program early in 1942 and by the end of 1944 had reduced the 1st mortgage bonds outstanding (the only non-equipment debt of the company) by $12,067,665 to $52,467,335. In the refunding it is proposed to reduce this further to $50,000,000, a total reduction of more than 22%. Fixed charges will naturally show an even wider drop in line with the lower coupon rate anticipated for the new refunding issue.

On completion of the refunding it is believed likely that annual fixed charges will be below $2,100,000. Ten years ago, when the road was not nearly so well situated physically and, therefore, not so inherently efficient, fixed charges were in excess of $3,500,000. With the rehabilitation work that has been accomplished in intervening years, and with abandonment of unprofitable mileage, rail men express confidence that these reduced charges should be covered by a good margin even if there should be a return to severe depression conditions. It is also pointed out that the road's depreciation charges for equipment (exclusive of amortization of defense projects) consistently run close of $2,400,000, or about $1,100,000 in excess of the present rate of annual equipment trust principal maturities. Roadway depreciation runs close to $500,000 a year. Thus, a substantial additional cushion is afforded.

Naturally, the improvement in the road's credit implicit in the present refunding plans has stimulated speculative interest in the company's stocks, particularly the prior preference and preferred shares. Both of these $100 par 5% stocks are cumulative and holders have gone for a considerable period without income return. As of the beginning of this year there were arrears of $36.25 a share, or a total of $4,060,000 on the 112,000 shares of prior preference outstanding. Arrears on the preferred stock amount to $67.50 a share, or a total of $8,389,575 on the 124,290 shares of stock outstanding. It is interesting to note that the total of dividend arrears on both classes of stock is just about equal to the amount the company has spent on non-equipment debt retirement since the beginning of 1942, including the bonds to be retired as part of the refunding.

Certainly no one can claim that the money was not better spent on debt retirement than if the company had cleared up the dividends on the stocks. From now on, however, it seems likely that more direct benefits will go to holders of the two senior equities. The problem of maturities is being eliminated and what further debt retirement is considered necessary or desirable should be covered by the sinking fund provisions of the new bond issue. There will be a fixed sinking fund of $500,000 a year, plus a sinking fund contingent on earnings equivalent to interest on bonds theretofore retired by the sinking fund. This latter will be cumulative even when not earned. Theoretically, and naturally depending to some extent on the coupon rate of the new bonds, the sinking fund is designed to retire some 60% of the issue by maturity.

With debt well provided for and financial position more than adequate, there is no reason for surprise that holders of at least the prior preference stocks are looking forward to reasonably early dividend action. Earnings last year amounted to close to $27 a share and should be higher this year, influenced by lower fixed charges and the tax credits involved in calling its present bonds for redemption. Obviously, it would not take too long at this rate of earnings to clear up the arrears completely.

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New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Edward S. Moore to Francis H. Bedell will be considered by the Exchange on Feb. 15. Mr. Bedell will continue as a partner in Parrish & Co.

Thomas J. Brady retired from partnership in Vernon C. Brown & Co. on Feb. 3.

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News of Various Issues

We Hear That:

Ludwig Baumann & Co. have called for payment at par and interest to Feb. 15, 1945, all of its first mortgage bonds now outstanding, secured by its warehouse in Long Island City, N. Y. Bonds should be presented to The Continental Bank & Trust Co., 30 Broad Street, New York City.

◆

Sherneth Corporation (Sherry-Netherlands Hotel, New York City) has announced that earnings for the six months' period ended Dec. 31, 1944, were sufficient to permit payment of 2¾% interest March 1, 1945, on the outstanding $5,736,200 first mortgage income bonds and to provide $69,000 for the sinking fund for purchase and retirement of bonds. This is an increase over the previous six months' period which provided for 2% interest and a sinking fund of $32,000.

Broadway Motors Building Corp. has provided the Trustee with $57,630.89 to be used as a sinking fund for retirement of bonds, tenders to be accepted up to 3 p.m. Feb. 19, 1945. This amount represents the unexpended portion of the $106,816.41 allocated from 1944 earnings. The original $6,000,000 issue on this property (General Motors Building, New York City) had been reduced to $3,154,000 as of Dec. 31, 1944. The present sinking fund operation will further reduce the issue. Future annual sinking funds should sizably increase as about $50,000 was allocated from 1944 earnings to service second mortgage 3% bonds which after the application of these bonds will be reduced to $8,000. The 1945 sinking fund should be increased by this difference. As ground rent is also reduced $50,000 annually as of Nov. 1, 1945, annual sinking funds may easily exceed $200,000.

New York Chamber of Commerce Opposes Repeal of Johnson Act

By Vote of 54 to 47, Many Members Not Voting, Organization Refused to Approve Report of Its Committee on Finance and Industry Which Recommended Repeal of Law Forbidding the Flotation of Loans of Foreign Governments in Default. Capt. John B. Trevor Delivers Spirited Address Opposing the Report. Chamber Passes Resolution Opposing Legislation Which "Dictates to Any Employer in Private Enterprise Whom He Shall Employ."

The Chamber of Commerce of the State of New York at its monthly meeting on Feb. 1 at 65 Liberty Street went on record as opposed to the repeal of the Johnson Act forbidding the flotation in this country of loans to foreign governments in default on their debts to the United States.

The action was taken following the introduction of a report presented by James G. Blaine, Chairman of the Committee on Finance and Currency, which urged repeal of the Johnson Act on the ground that "a large expansion of foreign commerce through regular commercial and banking channels under a private competitive system" was necessary for reasonably full post-war employment and prosperity.

Capt. John B. Trevor, Chairman of the Committee on Immigration and Naturalization, led a spirited fight against the adoption of the report. His proposal to refer the report back to committee was carried by a vote of 54 to 47, with many members refraining from voting. Speaking against the report, Capt. Trevor said:

"The essence of this resolution is advocacy of a program to refinance bankrupt nations. In my opinion it cannot be honestly asserted that these bankrupt nations offer any better possibilities of paying future debts than they did for those on which they have defaulted. On the contrary, a fair estimate of their capability of meeting future obligations would be that their economic condition is far worse than ever before in their history. There is possibly one nation which should be excepted from this statement. That is Soviet Russia. Prior to the outbreak of this war Soviet Russia owed us $438,000,000, which she persistently and consistently declined to pay. The total amount of defaults on debts incurred prior to the present war, as of July 1, 1944, is over $14,000,000,000. This figure relates solely to European nations. You will observe that I do not include $28,000,000,000 advanced to our bankrupt creditors under the Lend-Lease Act because the major part of that staggering total is neither lent nor leased, but obviously an irrecoverable gift.

"It is said in the report of the committee that the reason for the failure of these bankrupt nations to meet their obligations was 'not because of the inability of borrowers to provide funds for the contractual debt service, but rather owing to their inability to transfer such funds into the currencies of their creditors, due to the new conditions affecting world trade and finance.'

"That statement is far too broad, Mr. President. It is not substantiated by a statistical analysis of our international financial operations. Statistical data published recently by the National City Bank shows that during the period 1931-1939, foreign creditor nations had available in the United States for the payment of their debts a sum of $6,200,000,000. These nations, however, preferred to see this

(Continued on page 641)

Weissman Publishes Economic Program For Small Business

SEC Official, in New Book, Proposes a Scheme to Raise Venture Capital. Would Have Commercial Banks Organize Regional Institutions, Supervised by Federal Reserve, to Buy Equity Securities.

Rudolph L. Weissman

Rudolph L. Weissman, on the staff of the Securities and Exchange Commission, has just published, through Harper & Brothers, a book of 173 pages, entitled "Small Business and Venture Capital, An Economic Program," in which he reviews the problems of small business financing, the relation of small business to the survival of democracy, and the various proposals that have been put forth to aid in the establishment and preservation of small and medium sized independent business concerns. The views expressed by Mr. Weissman are his own, and he states in his preface that the Securities and Exchange Commission "has no responsibility for the writing of the book, nor are the views endorsed therein necessarily endorsed by it."

Mr. Weissman, who has already written several volumes relating to the Federal Reserve System, Wall Street and similar subjects, pictures the position of "small business" (i. e. concerns with capital ranging from $50,000 to $5,000,000) as a desperate one, due largely to inability to obtain "venture capital" from outside sources. He defines venture capital as "risk capital" represented by common and preferred stock. He reviews the discussions of the problem, as considered by the Macmillan Committee in Great Britain in 1931; by the Temporary National Economic Committee in 1938; by the National Resources Planning Board, the Reconstruction Finance Corporation; the Smaller War Plants Corporation, and other Government agencies, as well as the efforts of such men as Senator James M. Mead and Dr. Charles L. Merwin. He sifts their proposals and points out the defects and advantages. He holds that the SEC regulation requirements are in no way responsible for the inability of small and medium sized concerns to float stock issues for public subscription, reverting to the investigation which showed that of total security flotation costs of $14 per $100 of capital to small concerns, the registration expense was but a small fraction, but he admits on page 62 that "full disclosure requirements and the sanctions imposed by the Securities Act of 1933 have not been without influence."

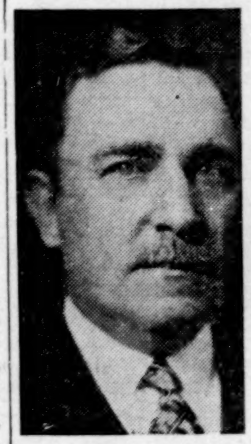
Mr. Weissman's own solution, which he says offers "a realistic and practical approach to the problem of small business" is expressed by him as follows:

"It is proposed that the commercial member banks of the Federal Reserve System incorporate and have title to the stock of the organization to be called the Federal Reserve Investment Corporation. Since its purpose will be investment in industry, it is further proposed that the banks in the Central Reserve and Reserve cities furnish the capital. The principle adopted is exactly the same as that employed in the formation of the Federal Reserve System. Each bank will purchase stock in the new corporation according to the amount of its total assets or capital and surplus.

"The Federal Reserve Investment Corporation should be set up along regional lines, following the geographic location of the Federal Reserve banks and their branches, so that there would be twelve districts and as many branches, so that there would be necessary. The Board of Governors of the Federal Reserve System is to exercise general supervisory authority, and fix the general rules and regulations regarding the principles to be followed in making investments, framing procedure, etc. The regional officers are to be autonomous to the greatest degree possible, subject to the general guidance of the Board of Governors. These of-

(Continued on page 645)

Geo. Bovenizer Heads Inv. Bankers Div. of Legal Aid Appeal



G. W. Bovenizer

George W. Bovenizer, a partner of Kuhn, Loeb & Co., has accepted the chairmanship of the Investment Bankers' Division of The Legal Aid Society 1945 Appeal, which is scheduled to open officially with the annual meeting of the Society on Feb. 28.

The goal of the appeal this year is $160,000. This amount is needed to meet the expenses of the Society in supplying legal advice and representation in court, when necessary, to New York residents with legal problems who cannot afford to pay an attorney. A permanent staff of 22 salaried attorneys at its headquarters, at 11 Park Place, and at its Criminal Branch in the Criminal Courts Building, handle the cases of more than 30,000 persons each year who apply for legal assistance.

The War has greatly increased the work of the Society as during the last two years more than 16,000 soldiers and sailors and their dependents have applied to the Society for help in straightening out their legal problems, largely induced by war conditions. These cases are handled without question of the Service man's ability to engage an attorney. The importance to morale in the Armed Forces of settling the legal troubles of Service men and women is recognized by both the Army and the Navy which have set up Legal Assistance Offices wherever troops are stationed. The Legal Aid Society has been designated as an official Legal Assistance Office for New York and vicinity. In that capacity it handles not only cases of local origin but matters affecting members of the Armed Forces from New York City are referred to it from all parts of the United States and even from overseas.

The 1945 Appeal Committee is headed by Irving S. Olds, Chairman of the Board of the United States Steel Corporation. Chairmen for the various commerce and industry divisions into which the committee will be divided are now being selected.

The Treatment of Capital Gains And Losses

(Continued from page 618)

ing a gain in a single year bunches in that year income that has accrued over a longer period. So the tax is higher than it would have been if the gain had been taxed bit by bit as it grew. A highly progressive rate structure and high rates emphasize this inequity. It is no more than fair that the tax on a gain when realized should approximate a year-by-year tax as the gain accrued.

However, this reasoning is only partially sound. It is based on the premise that gains do accrue ratably over the period of ownership of an asset. But that is not always true. It may be true of an evenly developing real estate gain, or a stock gain arising from the steady accumulation of profits in a corporation. It is not true of a real estate gain that arises from a sudden community boom or that stems fortuitously from some local improvement. It would not be true of many stock gains which reflect expectations of enhanced future profits.

Nevertheless, it is probably true that a large proportion of capital gains do accrued gradually, if not evenly, over the period of ownership, and there is much rough justice in extending to them a tax treatment which avoids the effect of an artificial concentration of taxable income in one year. The 1934 Revenue Act applied this theory. It provided for taxing capital gains according to the length of time the assets had been owned; the longer the period, the lower the tax. No special treatment was available until an asset had been held over a year. Whatever its faults, this provision had much in its favor from the standpoint of equity.

Another argument for special treatment, frequently advanced, is more vulnerable. The contention is that capital gains merely reflect a general rise in the price level, so there is no real increment at all in terms of purchasing power. They may be no more than a manifestation of inflation. Therefore, say the advocates of special treatment, capital gains are illusory.

But the fact remains that price fluctuations affect all kinds of income. Higher wages may not represent any increase in a man's ability to pay taxes, if the cost of living has kept pace with the wage rise. No tax law can do absolute justice all along the line in an economy of shifting dollar purchasing power.

The impossibility of doing absolute justice is not a valid reason for failing to do justice that can be done. A perfectionist is a dangerous man in the tax world, which is full of things that need to be done as well as they can be done. War conditions have accentuated a problem which was with us before the war, but which now recurs too frequently to be neglected any longer. I want to give you a simple case history. In 1913, Mr. Smith came to Washington to work for the Government. He bought a house for $5,000. In 1943, after he had devoted 30 years to Government service, he was ordered to Chicago. He sold his house for $15,000 and moved his family. Plainly he had a capital gain of $10,000. But Mr. Smith was spoiled; he liked to own his home; moreover, in Chicago he could find no apartment at a reasonable rental. So he bought another house. It was no better than the one he had sold in Washington, but it cost him $15,000, exactly the amount he had received for his Washington house.

The amount he had received, yes. But not the amount he had left in his pocket. The Treasury had part of the first $15,000 and Mr. Smith had to dip into his savings to pay for the second house.

Mr. Smith's tax lawyer told him he had no recourse. But if Mr. Smith had been in business and his house had been a ship which was requisitioned by the Government for $15,000, the advice would have been different. Then he would have had an "involuntary conversion" and he could have established a fund with the first $15,000 to replace the ship. Then he would have had no taxable gain, and the $15,000 would have been in his pocket and available to buy the second ship.

In practical fact, Mr. Smith had an involuntary conversion. He had no choice but to go to Chicago. It is hard to see why he should not enjoy the financial position in Chicago that he did in Washington.

There are thousands of Mr. Smiths in Government and in business. Never were business conditions so chaotic as today, and never was so much geographical shifting of personnel required both by business and Government. If Mr. Smith were politically-minded, he could make a strong case for tax relief. He has had no increase in the type of wealth which gives him ability to pay taxes. But he is just an ordinary citizen, not an oil company, or a lumber owner, or a commercial air line, or the owner of a natural gas pipe line. So he takes his medicine. But the income tax is not popular in that house in Chicago. Mr. Smith might pay his other taxes more willingly if he thought he had been fairly treated.

Of all the reasons urged for eliminating or reducing the capital gains tax, the lamest is that we should emulate the British. It is true that the British tax gains from transactions that are part of the taxpayer's regular business at regular rates. But the British situation differs fundamentally from ours. Transactions which are not part of a taxpayer's regular business are relatively less important in Great Britain than they are here. But, even more significant, the British system permits serious tax avoidance, and for that reason it has been condemned by British tax authorities.

The theory is frequently voiced that profits realized over a period of time from investment in securities or property should not be taxed in the ordinary way because it would have a deterrent effect on risk capital. So, it is urged, the capital gains rate should be lowered, or the tax eliminated, as an incentive to business. Critics insist that the tax has a "chilling effect" and "checks risk taking," that its repeal would free "venture capital." Some even go so far as to say that the elimination of the tax would stop depressions.

They further argue that revenue would be increased by repeal or reduction of the tax, since market activity would be stimulated by removing a barrier to selling. The idea is that the tax inhibits selling, especially in the case of older investors who will be able at death to pass on their gains tax free. Congressional committees have been wooed with extravagant estimates of increased yield. These claims, however, over-simplify the problem. No one will deny that the capital gains tax has a regulatory effect. That is true of any tax. But many factors determine the yield of a tax on capital gains: the level of the market, anticipation of future prices and future taxes, the cost of assets in the hands of the holders, the distribution of assets by income brackets, and the extent to which individuals holding assets with gains also hold assets with losses. The method of taxing capital gains is only one of many factors affecting the amount of gains realized. Variations in capital gains revenue have been determined primarily by changes in stock prices rather than by changes in tax methods. Furthermore, the elimination of the capital gains tax would not stop depressions. We had depressions before we had the tax. England does not have the tax and it has depressions.

We must also distinguish between long-run and short-run revenue effects, and between the direct yield from the capital gains tax and its indirect effects. The tax is designed not only to raise revenue directly, but also to prevent the avoidance of other taxes. Other income can be converted into capital gains in many ways as, for example, by allowing profits to remain in corporations. Section 102 of the Internal Revenue Code, which is designed to prevent avoidance of individual income taxes by the accumulation of corporate surpluses, is not adequate to prevent this avoidance.

Finally, we should know who realizes most capital gains. About 80% of capital gains come from stock market operations, and a slightly smaller percentage of losses. In 1939, a fairly typical year capital gains constituted less than 1% of the net income reported by individuals with incomes under $5,000, less than 3% of the net income of persons with incomes between $5,000 and $25,000, and 96% of the tax came from persons with incomes over $25,000.

The distribution of capital gains is preponderantly to the high incomes. The income class from $100,000 to $1,000,000, for example, reported in 1938 only 2.5% of aggregate net income, but it reported 33% of capital gains. It is plain to see that a more favorable treatment of capital gains would benefit only a small high income group.

Arguments for special treatment of capital gains, based on the premise that concessions in this direction would stimulate business activity, fail to face the choices before us. Practically every tax has some effect on the willingness of investors to risk their capital in hazardous enterprises. High surtaxes have that effect. So do corporate taxes. But what are the alternatives? Merely a choice of evils. We cannot renounce all taxes because they reduce business activity. That would be jumping from the frying pan into the fire.

And what of capital losses? Existing law limits the right to deduct losses in various ways. Some taxpayers think that the Government is guilty of sharp practice in taxing their gains in full and refusing to give the same full consideration to their losses. If capital gains were taxed in full, there would be no justification for any such limitation. But the favored treatment of capital gains, plus the fact that the timing of both gains and losses is largely an option of the tax payer, affords considerable justification on grounds of equity.

However, the problem goes beyond strictly equitable considerations. The question of risk-taking is relevant. As things are now, the extent to which investors may use the limited loss provisions of the statute depends primarily upon the availability of other income. Obviously, the positions of taxpayers differ widely in this respect. There are discriminations between large and small investors; large investors are more likely to have other income against which to offset losses. Inequities of this type increase economic concentration and tend to lower the volume of new investment. It is worth serious consideration whether the gain to the economy to be derived from increased risk-taking would not be worth more than the revenue loss involved in some reasonable averaging devices, the extension of the carry-forward period for losses, and a less discriminatory treatment of capital losses. Such provisions would, however, take away much of the existing justification of special treatment for capital gains. They would leave untouched the justification inherent in the argument that capital gains are "bunched" in a single year, and perhaps the argument (applicable only to stock transactions) that a differential rate is justified by the corporate tax.

The post-war tax plan of the Committee for Economic Development advocates the full taxation of capital gains and the full deduction of capital losses until a time when corporate and personal income taxes have been substantially reduced and the averaging of income is permitted. For the present, like the Ruml-Sonne plan, the CED recommends a retention of the present differential treatment. The CEC also recommends that capital gains and losses should be recognized at transfer by gift or at death. The Twin Cities Tax Plan, on the other hand, would reduce the tax on capital gains to 12½%.

A short time ago I remember hearing over the radio the words: "It's time for a change." I think it is time for a change—for another kind of change—a change of emphasis. Capital gains are, after all, only one small sector of our tax front. Instead of tinkering with the treatment of capital gains, let's take a longer and broader view. Our future taxes will have an important bearing upon the post-war economy and our national well-being. A sound over-all system will help toward full employment and prosperity. Let's go after a post-war tax system that will produce capital gains instead of capital losses. Let's keep our eyes on that ball. Then taxes will take care of themselves.

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Report!

The annual report of a large business corporation used to be, as a rule, arid reading, except for those closely interested: the stockholders, bankers, statisticians, analysts, etc. But times have changed in America and in so-called "big business."

The chairman of the board and the president of this company, Schenley, have just made their annual report to the stockholders. In it there is something besides a very gratifying accounting of actual business performance, because foremost in the minds of those who direct the affairs of this company is *"the responsibility which our Company shares with all industry to provide useful and regular employment and to encourage progress and rising standards of living."*

That note—and it is a *good note*—is sincerely sounded today, this recorder is happy to report, by nearly every worthwhile corporation in America! We have many laws and regulations affecting business. But the *self-imposed* rules and regulations affecting the lives and welfare of workers which prevail here and in other good companies—the *humanics* in the business—are among the most encouraging highlights in our American life.

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Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Feb. 6 that the tenders of $1,300,000,000 or thereabouts, of 91-day Treasury bills to be dated Feb. 8 and to mature May 10, 1945, which were offered on Jan. 26, were opened at the Federal Reserve Banks on Feb. 5.

The details of this issue are as follows:

Total applied for $2,027,564,000. Total accepted, $1,309,856,000 (includes $57,191,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(59% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Feb. 8 in the amount of $1,314,251,000.

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Chicago Brevities

Reports that Marshall Field & Co. was planning to refinance its two issues of outstanding 6% preferred stock were confirmed with the announcement by Hughston M. McBain, President, that a special meeting of Field stockholders was being called for Feb. 26 to vote on a proposed plan to replace the outstanding preferred with a new issue carrying a lower dividend rate. While the dividend rate will depend on conditions existing at the time the new stock is issued, it is presently expected that it will be 4¼%.

The present preferred will be exchanged for the new stock on a share for share basis and in addition, holders of the present preferred will receive a cash payment equal to the difference between the redemption price of the 6% stock and the sale price of the new preferred to the public. A cash adjustment will be made for dividends accrued to the date of the exchange. Unexchanged shares will be offered to the public at a price to be determined immeditely prior to the making of the exchange. Glore, Forgan & Co. and Lee Higginson Corp. will head the underwriting group.

Shares of present preferred stock not exchanged for the new preferred will be redeemed and canceled. The outstanding preferred consists of a 6% cumulative preferred issue, callable at $110 a share, and a second series 6%, callable at $105.

* * *

Cudahy Packing Co. appears a likely prospect for equity refinancing although management sources declare that no steps are being contemplated in the near future to redeem or replace the present 6 and 7% preferred issues, of which 20,000 and 65,000 shares, respectively, are outstanding. Arrears on the preferred were cleared up two years ago.

The 7% preferred, which is listed on the Chicago Stock Exchange, is currently selling around its redemption price of $105 a share.

During the fiscal year ended Oct. 28, 1944, Cudahy reduced its total funded debt by $3,945,000 through a refunding operation and maturities were extended approximately 10 years at a lower interest rate, which will result in an annual savings of $219,000 in fixed charges over the life of the old bonds and debentures, which were retired.

It is fairly safe to assume that the company will make every effort to further improve its financial position to enable it better to meet post-war contingencies as well as post-war plans for expansion.

Chicago Corporation recently sold its entire holdings of 9,000 shares of City National Bank & Trust Co. and 100,000 shares of its holdings of Middle West Corporation. While proceeds from the sale of the latter were not disclosed, the corporation realized approximately $1,750,000 from the sale of City National, which it purchased originally at 130 and sold at around 195.

Chicago Corporation, which has been gradually withdrawing from the general market securities business, will use proceeds of the sales to cover the acquisition of additional gas and oil properties already made as well as other commitments in this field. The latest purchase reported was that made last December of 18,000 acres of proven gas fields in Texas.

* * *

A decision is shortly expected on Utah Radio Products' appeal of the $800,000 renegotiation refund to the government for 1943 and it is possible may be handed down before publication of this issue. Regardless of the outcome, earnings for 1944 are expected to be substantially in excess of the $1.38 a share reported for 1943.

* * *

Officers and directors of McWilliams Dredging Co. were impelled to issue a statement to scotch rumors that company was planning liquidation. The reports were circulated as a result of the sale by the company of a substantial amount of equipment to the government.

* * *

Goldblatt Brothers, Inc., completed the retirement of a $3,500,000 term loan from the First National Bank of Chicago with payment of the balance of $934,000 last week. The payment anticipated maturity by three years. Final instalment of the 4½% loan, which was negotiated in 1940, was not due until 1948.

* * *

An offer of $88,000,000 by the City of Chicago for the surface and elevated lines was indicated in a synopsis of a proposed municipal ownership ordinance presented to the City Council's subcommittee on municipal traction ownership by Philip Harrington, City Commissioner of subways and superhighways, last week. The city originally offered $85,500,000 for the lines.

The new plan would be submitted directly to security holders rather than through the various bondholders' committees, the synopsis emphasized.

* * *

March 1 has been set as the date for signing of the final decree in the reorganization of the Chicago and North Western Railroad which has been in reorganization for the past 10 years.

The reorganization plan was approved two years ago and securities and other property were turned over to the new corporation on May 30, 1944.

Kenneth W. Burgess, attorney for reorganization managers, stated that this was the first large railroad reorganized under the Railroad Reorganization Act as amended in 1935.

Philadelphia S. E. Ec's Nominations

The Committee on Elections of the Philadelphia Stock Exchange has reported the following nominations for officers:

President—Edgar Scott, Montgomery, Scott & Co.

Board of Governors—Frank E. Baker, Baker, Weeks & Harden; Richard L. Fox, Moyer & Co.; H. Gates Lloyd, Drexel & Co.; Harry MacDonald, Bioren & Co.; George E. Nehrbas, Parrish & Co.; Samuel K. Phillips, Samuel K. Phillips & Co.; and Frederick P. Ristine, F. P. Ristine & Co.

The Annual Election will be held at the Exchange on Monday, March 5, between 9 a. m. and 12 noon.

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Some suggested issues for the intermediate and longer term
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Lowell Niebuhr With Leason & Co. in Cgo.

CHICAGO, ILL.—Leason & Co., Inc., 139 South La Salle Street, announce that Lowell Niebuhr, formerly of Lowell Niebuhr & Co., Inc., has joined their organization and will specialize in trading over-the-counter markets with dealers in investment Trust, Industrial, Public Utility and Real Estate stocks and bonds.

As of February fifth Mr. Niebuhr terminated business activities under his own firm name.

Mr. Niebuhr, who is a graduate of Northwestern University, started in the investment business twenty-five years ago. After completing service as a Lieutenant of Infantry in World War I he began his career with the National City Co. Subsequently he was Vice-President of Leight & Co., Vice- President of Robert M. Markwell & Co. and headed Lowell Niebuhr & Co., Inc. from 1936 to the present time.

O'Brien Adds Rodgers

CHICAGO, ILL. — John J. O'Brien & Co., 231 So. La Salle St., members of the Chicago Stock Exchange, announces that George E. Rodgers has become associated with the firm.

Dennis D. Donnellan Brevetted on Field

The story is being told in Chicago of how 1st Lt. Dennis D. Donnellan, 25, son of Mrs. Stephen Donnellan, 5945 Princeton Ave., won promotion to his new rank recently while serving in the Medical Administrative Corps of the American Ninth Army.

Donnellan's advancement to a 1st lieutenancy came on the field of battle after his unit had been cut off in a disputed town where American and German patrols engaged in street fighting.

The Chicagoan, who was acting as a liaison officer for his medical detachment, seized a jeep, ran it through an intense enemy barrage and summoned reinforcements. For this action he was brevetted on the field.

Before entering the Army in July, 1941, young Donnellan was employed in the Chicago office of the "Commercial & Financial Chronicle."

A sister, Elizabeth, is assistant field director of the Red Cross in France; a brother, Stephen, is a Pfc. in the ground forces of the Army Air Corps.

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

American Bantam Car and Panama Coco-Cola—circulars on these situations—**Hoit, Rose & Troster,** 74 Trinity Place, New York 6, N. Y.

Billings & Spencer—memorandum—**Herzog & Co.,** 170 Broadway, New York 7, N. Y.

Boston & Maine Income 4½s of 1970—memorandum on potentialities—**McLaughlin, Baird & Reuss,** 1 Wall Street, New York 5, N. Y.

Boston & Providence Railroad—descriptive circular—**Adams & Peck,** 63 Wall Street, New York 5, N. Y.

Central Iron & Steel—bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Central Soya and Gruen Watch—discussion of possibilities—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

Chicago North Shore and Milwaukee Railroad—Analysis of of equities and earnings available—**Brailsford & Co.,** 208 South La Salle Street, Chicago 4, Ill.

"Confident Year"—Bulletin on the outlook for eight vital industries, reviews thirty-four securities—**Strauss Bros.,** 32 Broadway, New York 4, N. Y.

A. De Pinna Co.—current and future possibilities—**Herrick, Waddell & Co., Inc.,** 55 Liberty Street, New York 5, N. Y.

"Dynamic Economics"—preparation of demand studies—**Econometric Institute, Inc.,** 500 Fifth Avenue, New York City—$5.00 per copy.

Fashion Park, Inc.—post-war outlook—**Simons, Linburn & Co.,** 25 Broad Street, New York 4, N. Y.

Fire and Casualty Companies, comparative tabulation of 82 companies—**Mackubin, Legg & Co.,** Redwood & Light Streets, Baltimore 3, Md.

Foundation Co.—recent developments—**J. F. Reilly & Co.,** 111 Broadway, New York 6, N. Y.

Investment Planning for 1945—Some suggested issues for the intermediate and longer term—**Thomson & McKinnon,** 231 South La Salle Street, Chicago 4, Ill.

Grinnell Corporation—post-war prospects and current position—**Amott, Baker & Co., Inc.,** 150 Broadway, New York 7, N. Y.

Indiana Gas & Chemical—late memorandum—**First of New York Corporaton,** 70 Pine Street, New York 5, N. Y.

Interstate Aircraft & Engineering Co.—Present and prospective possibilities—**Hirsch & Co.,** 25 Broad Street, New York 4, N. Y.

Jet Propulsion, what it is, and certain concerns understood to be engaged in manufacture of these engines—**Harris, Upham & Co.,** 14 Wall Street, New York 5, N. Y.

Long Bell Lumber Company—memo discussing enviable post-war outlook and earnings possibilities—**Comstock & Co.,** 231 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—analytical discussion—**Steiner, Rouse & Co.,** 25 Broad Street, New York 4, N. Y.

National Gas & Electric Corporation—report on position and outlook—**Peter Morgan & Co.,** 31 Nassau Street, New York 5, N. Y.

New Bedford Rayon Company—comparative earnings figures—**F. H. Keller & Co., Inc.,** 111 Broadway, New York 6, N. Y.

New York Bank Stocks—comparative analysis and significant ratios for eighteen stocks in 1944

(Continued on page 639)

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Wisconsin Brevities

By order of the United States District Court for the District of Minnesota, Fourth Division, dated Jan. 13, 1945, E. A. Whitman and Edgar F. Zelle, trustees of the property of the Wisconsin Central Railway, were authorized and directed to pay the interest coupons matured Jan. 1, 1938 and July 1, 1938 on 1st gen. mtge. 50-year 4% gold bonds due July 1, 1949; which order contains a provision that, upon surrender of such coupons and receipt of payment thereof at the face amount, the holders of such coupons are barred from any further claim upon or in connection with or arising out of the possession or ownership of the coupons so paid. In accordance with the provisions of such order, the trustees transmitted funds for the payment of such coupons on February 5 to the Bank of Montreal, 64 Wall St., New York 5, N. Y.

The trustees of the Wisconsin Central Railway recently asked the Interstate Commerce Commission to defer for the present hearings on the plan of reorganization which was filed in December by the protective committee for the first general mortgage bonds.

The trustees told the Commission they believed considerable time and expense could be saved if they were given further opportunity to study the pending plan and to canvass possibilities of agreement and compromise on all pending controversies. The trustees were directed by the court in December to formulate a plan of their own for the road.

A net profit of $307,966 after all deductions for the quarterly period ending Dec. 31, 1944, is reported by the Outboard, Marine & Manufacturing Co., which has its Evinrude Motors division in Milwaukee. This is equal to $1.04 per share on the 297,018 capital shares outstanding and compares with the 1943 profit for the same period of $288,630 or 97 cents per share.

Net sales in the 1944 period totaled $8,073,068, compared with $7,236,659 for the same period in 1943.

Deductions included $1,489,000 for taxes, compared with $1,165,500 for the 1943 period, and $175,000, as a special reserve for contingencies, including renegotiation of war contracts and conversion and readjustments for civilian production as against $150,000 for the 1943 quarter.

Rae F. Bell, former First Vice-President, has been elected Chairman of the board of directors of the A. O. Smith Corp. to succeed the late L. R. Smith. Anthony von Wening, formerly a Vice-President of the Continental Illinois National Bank & Trust Co., of Chicago, who joined the A. O. Smith Corp. in 1940, has been elected Vice-President and Controller.

Other officers were re-elected as follows: W. C. Heath, President; John M. Floyd, Vice-President in charge of manufacturing; R. Furrer, Vice-President in charge of engineering and J. J. Stamm, Secretary and Treasurer.

The Allis-Chalmers Manufacturing Co., according to data filed with the SEC, has reduced outstanding borrowings under its V-loan agreement with 22 banks from $75,000,000 to $40,000,000 by pre-payment of $35,000,000 of notes due on Aug. 10, 1946.

The company has declared a regular quarterly dividend of $1 per share on its $4 preferred stock payable March 5 to holders of record February 13.

Commodity Exchange Re-elects Weld Pres.

Philip B. Weld of Harris, Upham & Co. was re-elected for a third term as President of Commodity Exchange, Inc., on Jan. 31. Floyd Y. Keeler of Orvis Brothers & Company was re-elected Treasurer. The Vice-Presidents elected were Richard F. Teichgraeber, Milton R. Katzenberg, Paolino Gerli, and Louis V. Keeler.

At the annual election of members of Commodity Exchange, Inc. the following Governors were elected to represent the various groups of the Exchange: Comsion House Group, Floyd Y. Keeler and Philip B. Weld; the Hide Group, Milton R. Katzenberg and Albert O. Trostel, Jr.; the Silk Group, Alexander D. Walker and Nathan Lewis; Metal Group, Ivan Reitler and Hans A. Vogelstein; Rubber Group, Aage Bendixsen and Nathan W. Diamond, and the Non-Trade Group, Kuo G. Li.

Hello there, you people—remember me?
I'm little Joe Utalin*—plain as can be.
Tho' I'm just a helper, I'm here to inject
Some potent remarks—just in retrospect.
We worked like the dickens, as you can see,
To earn our proud E flag in forty three.
But 'twasn't enough—we worked harder and more
Our reward was a star—come June forty four.
Now we have just heard, send up an amen,
We've just been awarded an E star again.
With two stars a-flyin' you know we're just itchin'
To get in there now, and really start pitchin'.

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The Economic and Political Consequences Of Lord Keynes' Theories

(Continued from first page)

is manifestly pursuing political and social aims, and its success would jeopardize our essential liberties.

What are the exceptional virtues or serious defects of the gold standard that it should arouse so much praise and such bitter opposition? If the gold standard had only defects inherent to any man-made instrument or mechanism, we could hardly explain the struggle led at present by some English groups against the gold standard, since the British Empire is one of the greatest gold producers and since it is indispensable to her in order to balance her international accounts. If the gold standard did not have anti-totalitarian and pro-democratic virtues, the Nazis would not be conducting a campaign against gold which they haven't ceased even during the war.

Respect for gold as money is not due to the color and the odor of the metal nor is it merely a barbarous relic as Lord Keynes has been trying to make us believe since 1923. No impartial and objective individual will dispute the faults of the gold standard, but its virtues are so exceptional, that did it not exist, it would have to be invented. We would be wiser not to renounce the instruments which mysterious and providential nature has put at our disposal until human beings prove by their behavior that it is advisable to do without some automatic controls over the stupidity, folly, and selfishness of men. The more we contemplate the actions of men, the more we are convinced that they are their own worst enemies. Isn't it preposterous that "liberals" whose devotion to liberty is sincere and profound, preach, at the same time, a social and economic policy which would lead inevitably to totalitarianism? Isn't it also surprising that the champions of private enterprise and economic liberalism adopt an uncompromising conservative attitude with regard to social and political problems, which lacks foresight and the necessary flexibility to assure its orderly evolution and thereby, its conservation?

Gold—Instrument of International Cooperation

Regardless of what its slanderers may say, the gold standard has served the cause of peace and has been an admirable instrument of international cooperation. It has coordinated the movements of prices in the different countries and it has thus unified the international monetary system. It is thanks to the gold standard that the good functioning of the international monetary system has been spared the evil influences of the doctrine of national sovereignty. It is the gold standard which has made possible the expansion of international commerce and the distribution throughout the world of the benefits that are derived from the international division of labor. It is gold and its general acceptance which permits each individual to buy what he wants and to sell the fruit of his labor any place in the world, thereby spreading the benefits of competition. It is gold which assures the individual his independence and which is the best shield of the small states against the arbitrariness of the large ones. Contrary to what a superficial judgment would indicate, gold and the gold standard are not the weapons of oppression of the well-to-do, but rather the weapons of defense of the weak and the disinherited. It is the stability of gold, its general acceptance and its liberty of movement which have made possible the development of backward countries by the savings of the capitalist world (which means privations and individual risks!). It is gold, to sum up, which has been the best weapon against economic nationalism and its dangers. It is not merely by chance that Lord Keynes wrote in 1932 in the American publication Foreign Affairs, an article entitled, "National Self - Sufficiency," in which he stated his hatred and his contempt for the system of "laissez-faire" and gave his reasons for favoring economic nationalism. There is a direct relation between his contempt for gold and his dislike of economic internationalism. Just imagine the obstacles to trade between nations if, deprived of an international money, prices in the different countries were free to move according to domestic contingencies, resulting thereby in disparities that could be corrected only by instability of exchanges and economic war. The government of men is confronted with many problems, complex and difficult. No question, however, presents as difficult a problem as that of harmony between nations, and it is indisputable, I think, that international trade and foreign investments serve to spread well-being through the entire world, thus contributing to the maintenance of peace among men. The English socialist, G. D. H. Cole, does not hesitate to state in his book, "Great Britain in the Post-War World" (1941), that it would be difficult to prove that even (sic!) a socialist nation whose problems of poverty were not solved, would consent to tighten its belt for many years for the purpose of contributing capital to the development of backward countries. We would not have any difficulty in proving, on the contrary, that it is more probable that a capitalist nation would, more readily than a socialist one, impose on itself, as a result of the very functioning of its economic-financial mechanism, immediate privations for the sake of benefits (or losses) in the future. Ohlin, Benes, and A. Basch agree that those countries whose economy is controlled by the Government cannot hope to obtain even the benefits of a customs union; without the mechanism of economic liberalism, we are compelled to have recourse to an economic union and even a political one (that is to say: to submit the nations to the orders and directives of a central authority in order to derive the potential benefits from a large market).

Gold and Lord Keynes

The critics of gold can be classified in two categories. Firstly, there are the pure technicians (the great majority of critics) who accuse gold of being an imperfect mechanism for the control of the quantity of money and credit which economy is supposed to need to be prosperous and stable, and of being a bad instrument for bringing about an international balance of payments. The second category of critics of gold (or rather slanderers), small in number, is strongly influenced by a certain political and social philosophy; these are the most dangerous. The most famous and influential among these latter is Lord Keynes. One would misinterpret my intentions if the remarks which follow were taken as an attack directed against the person of Lord Keynes himself; it is the ideas, or rather the philosophy with which his name is associated, that I am fighting against. It is he, himself, who stated, and with good reason, that ideas, whether false or just, of political philosophers and economists are more powerful and more dangerous than the possessors of vested interests. And Lord Keynes has not only a philosophy and economic monetary theories with which he would like to "experiment." His prestige is considerable since he has created for himself the reputation of having been a prophet whose predictions have been confirmed by subsequent events. The respect paid him in the House of Lords is significant. While he is fighting to relegate gold to the rank of a "constitutional king," he has established himself as the monarch of the new monetary doctrinaires. As a matter of fact, Lord Keynes is already looking in another direction and is manifestly endeavoring to find a compromise between economic nationalism and internationalism. However, the danger is that his disciples and neophytes are not disarming and are even going so far as to contend that Lord Keynes has betrayed them at Bretton Woods (read the attack against the projects adopted at Bretton Woods published in the English magazine, Banking). It is, nevertheless, in examining the ideas and past predictions of Lord Keynes that we have the best chance of discovering the fundamental ideas and aims of the critics of gold, and especially of those who have a political and social philosophy. I intend to make this analysis not only with all the objectivity of which I am capable, but with all the deference due the author of "The Economic Consequences of Peace," a book still worth reading by all leaders of people and men in politics.

The Philosophy of Lord Keynes

It is essential to study the philosophy of Lord Keynes if we want to explain and understand his attitude toward gold. It isn't the presupposed tyranny exercised by gold on men and economy which has led him to espouse his philosophy, but it is this last which determined his attitude regarding gold.

First of all, what does Lord Keynes think about human nature? The answer to this question seems of primary importance for it is impossible without it to have a workable political philosophy and also because economic phenomena are determined, to a large extent, by psychological factors. Men seem to him to have natural inclinations toward cruelty as well as a desire for personal power. Lord Keynes also admits that man has a passion for money. He even feels that it is better for humanity that man's desire for power be directed towards increasing his bank account. Lord Keynes does not believe that we can change human nature, but he is of the opinion that we can "direct" it. (I am indeed, very much afraid that if we push too far our control of money and economy, we will be obliged to direct human nature . . . with the help of a knout.) For what purpose should we educate human nature? The ruling class, answers Lord Keynes, should be trained to be satisfied with smaller returns than in the past in order to allow a more equitable distribution of revenue.

To the question of whether what Lord Keynes calls an equitable distribution of revenue is not going to decrease savings, he answers with satisfaction in the affirmative, since for him there is not only too much saving, but this latter is practically a sin. Too much saving and not enough consumption and investments, these are the source of all our evils, according to the diagnosis of Lord Keynes. He maintains that the needs for capital are too moderate and that interest rates on savings should tend toward zero. He is in favor of "the euthanasia of the rentier" and he predicts their eventual disappearance . . . when they will have finished their job (?). On the other hand, only last September, the "Economist" published a series of articles asserting that the increase of productivity of English industry—without which increase England is facing serious dangers — depends on savings, and, furthermore, that the investment of these savings will be governed by the possibility of realizing profits in proportion to the risks involved. Lord Keynes is fighting against savings maintained in the form of money and bank deposits. He has even declared himself in favor of "melting money" as recommended by a German, Silvio Gesell. This consists in a penalty on money not used which should be proportionate to the time it has not been utilized. One may recall that in France a former Prime Minister endorsed, in 1935, "melting money" as a remedy for the depression from which she was then suffering. But, may I ask, with such theories on savings and the functions of money, what part can gold well play?

Assuming that the national needs of well-to-do countries are satisfied, could the excess savings not be invested in those countries which need to be developed and equipped industrially? The development of backward countries was in 1932 not only the last and least of Lord Keynes' worries but he frankly declared himself as being opposed to the export of capital. In the article published under his signature in the American publication, Foreign Affairs, (1932) entitled "National Self-Sufficiency", he states: "above all, let finance be primarily national." Perhaps in none of his other writings is the philosophy of Lord Keynes as clearly expounded as in this article. He herein states that he detests "individualistic and decadent capitalism" and he adds that he is beginning to be contemptuous of it. But does not economic liberalism contribute to the maintenance of peace through commerce and international division of labor? On the contrary! says Lord Keynes; it stimulates the struggle for markets between nations; it fosters the progress of economic imperialism and it necessitates the defense of investments abroad. One is certainly not misinterpreting his thought in attributing to him the conviction that the war of 1914 was due to economic internationalism. What is more, he can only see advantage from a national point of view that capital be prevented from emigrating. In reading Lord Keynes, one cannot help discovering a sort of aversion towards competition, the cornerstone of economic liberalism. For him, the Stock Exchange is only a casino for gambling! Summing up, Lord Keynes in 1932, was advocating the adoption of a form of economic nationalism (national self-sufficiency) which might lend itself for "experiments" in accordance with his doctrines and in order to bring about the realization of an "ideal social republic." One is wondering what could well be the role of gold in such an "ideal social republic" and how should one be surprised at the pride Lord Keynes takes in having called gold "a barbarous relic"?

During the last few years, Lord Keynes has been defending exchange instability and disparity in national price levels in the name of the "full employment" dogma. He has published in the British magazine, "The Economic Journal" (Sepember, 1943) a curious and rather obscure article in which he rejects stability of prices as a desirable objective of monetary policy. He justifies his position with the argument that politically it would not be expedient or possible to prevent the constant rise of wage rates, or rather what he calls "efficiency wages", Furthermore, Lord Keynes thinks that the quantity of money available should not be an obstacle to the "natural" rise of wages. If we understand him correctly, he now declares himself against exchange stability in the name of the "full-employment" doctrine which has as a corollary a constant rise of nominal salaries, which rise would be difficult or impossible to control. It is clear, however, that exchange instability is defended presently by Lord Keynes for political rather than economic reasons. Lord Keynes also makes (innocently or facetiously?) the remark that a communist country is in a position to be very successful in preserving stability of internal prices and efficiency wages. Nazi Germany has demonstrated to the world by what means this double objective can be attained. They are simple and obvious: dictatorship, suppression of liberty and of labor unions, and last but not least, exchange control.

The political and economic-social philosophy of Keynes would suffice alone to explain his animosity for gold which has been the excellent servant of liberalism and economic internationalism.

The Anglo-American Economic Rivalry

Another reason, however, for his position against the gold standard is the fact that after 1918 England lost her industrial and financial supremacy. It can be proven that the ideas, leanings and prejudices of many economists are often determined by the problems with which their era or their particular country is confronted. The struggle involving the gold standard is fundamentally only an aspect of the economic-financial rivalry between English and Americans. The extraordinary rise of American industrial power after 1918 and the switch of the financial gravity center of the world from London to New York, explain, to a great extent, Lord Keynes' hostility, as well as that of other English economists, toward the gold standard. Among these latter, we must mention Paul Einzig, one of the influential editors of the newspaper, "Financial News," and also author of the "Daily Express" article to which we have already referred. He has the merit of speaking in plain terms of the economic-financial rivalry between the Anglo-Saxon cousins. For several years he has been campaigning against the gold standard. To read what he has to say on it at present, we cannot help but wonder if he has ever read the book, "The Future of Gold," written by Paul Einzig in 1935 in which he himself states that if the gold standard did not exist, it would have to be invented.

There is still another reason which should incite us to listen with a critical mind to the ideas and opinions of Lord Keynes. He is the author of several new monetary theories, of which the most important is the one which deals with the influence of low rates of interest on investments and economic activity. It often happens that philosophers who have a system of their own, or economists who believe they have discovered the philosopher's stone, suffer from a particular blindness which prevents them from being objective; they become prisoners and sometimes victims of their own theories. To the extent that Lord Keynes' position against the gold standard is influenced by consideration of monetary doctrines, it is due to his theory concerning interest rates.

What is equally surprising in reading the writings of Lord Keynes is to discover his confidence in human judgment to "direct" money, savings, investments, economy and presumably even human nature. It is evident that his monetary strategy is based on psychological manipulations and, if necessary, on coercion. The fact that in matters of monetary doctrines he is more often than not, in complete disagreement with an economist as eminent as Hawtrey, to cite but one example, hardly disturbs Lord Keynes. He detests economic liberalism; England is in search of a new formula to keep her power; and in addition, he is the author of a new monetary theory—these are apparently good enough reasons to plunge England and the rest of the world into great experiments, however hazardous and dangerous they may be!

These are the seeds sown by one of the most brilliant and intelligent men living. The main economic and political consequences of his philosophy and economic doctrines may be summarized and restated as follows:

(1) The theory of deficit spending and the idea that the government debt may rise harmlessly to any figure.

(2) The idea that savings are excessive in countries like the U. S. A., England and France, and that to save is sinful.

(3) He propagated the purchasing power theory as against the equilibrium theory. In doing so, Lord Keynes lent his support to inflationary processes and higher prices. He seemingly does not share the view that the best means to distribute income and wealth is by lower and lower prices.

(4) The doctrine that exchange instability is harmless. This doctrine implies the choice in favor of nationalism as against internationalism.

I consider the last one the most dangerous of the four, for the simple reason that the most difficult problem confronting society is harmony among nations. I shall, therefore, discuss in the second part of this study mainly the false ideas or pre-conceptions underlying the present campaign in Great Britain against exchange stability and for the maintenance of exchange control.

[The second installment of this article will appear in the February 15 issue of the "Chronicle."—Editor.]

FHLB Sell Debentures

The Federal Home Loan Banks sold on Jan. 4, 1945, at par, an issue of $50,000,000 0.85% debentures, dated Jan. 15, 1945, due July 15, 1945. The issue was offered through Everett Smith, fiscal agent, New York. Proceeds were used to retire a portion of the $34,300,000 debentures due Jan. 15, 1945.

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The Securities Salesman's Corner

"Two Million People Never Saw An Elephant"

By JOHN DUTTON

"Between the time you saw the elephant in the circus last year and the time you see him next year, 2,000,000 newcomers will come into the world." "Each year brings throngs of new people who never saw an elephant, never tasted Wheaties, smoked a Camel, drank Stag Beer, OR PURCHASED SECURITIES."

That's the way Edward D. Jones, of Edward D. Jones & Co. of St. Louis, introduced the subject of why it is important to SECURE NEW CUSTOMERS, in addressing a meeting recently held by his sales organization. The soundness of his premise is well illustrated by some of the interesting facts which he developed during the course of his address on this timely subject.

For instance, he brought out the point that nearly 24,000,000 voters today scarcely remember any other President except Roosevelt, because they were 12 years old or less when he was inaugurated. That 20,000,000 people have come of age in the last 10 years. That firms and products famous to their fathers are unknown to them. That next year another 2,000,000 will come along who never saw an elephant, heard of Edward D. Jones & Co., Wall Street, New York Stock Exchange or Stocks and Bonds. In five years there will be another 10,000,000. Not all will become security buyers, but their good opinions are important to his firm and to the securities business.

Conversely, Mr. Jones went on to illustrate that nearly 10,000,000 people have died in the past 10 years. Each year nearly a million people pass on. THEY ARE OUT OF THE MARKET, and for the forward looking investment banker, merchant, broker, or salesman, their places must be taken by newcomers. Those who never saw an elephant.

Then he went on to point out that not only is the memory of most of us very short, but some of the things which we believe to exist in the minds of the general public are to millions only a hazy and scarcely remembered recollection. A new generation has been born to whom 1929 was only a year in which market history was made. Sixteen years pass quickly and so why not—forget 1929 and the panic.

Then Mr. Jones made a point which in our opinion goes right to the heart of today's merchandising problem for most of us engaged in the securities business. He stressed continuous, positive, forward-looking advertising and sales promotion. He pointed out that all these new prospects which have been accumulating during the past 16 years present one of the greatest potential markets which we have ever known in the history of this business.

This is true providing we avail ourselves of the opportunity by telling the public about ourselves, our securities, our services, and by doing this consistently. Publicity is the answer—good publicity. In every community some firm has the opportunity of stepping out ahead of the crowd by using the daily papers to tell their story in language the PUBLIC LIKES AND UNDERSTANDS. In every sales organization there are men who are going to reap the benefits from consistently following up NEW ACCOUNTS, radiating from old clients who are satisfied customers and who will cooperate in helping such a salesman extend his business. In the field of direct mail, the opportunity to inform this NEW PUBLIC, is likewise one of the best mediums to employ in building an ever increasing clientele of satisfied customers. As Mr. Jones pointed out, the opportunity is so much the greater today. For 16 years the securities business has hid its light under the proverbial bushel—there are 32,000,000 new people who can be added to our prospect list, 16,000,000 more who have passed on, and untold millions who have forgotten 1929.

"A lot of people who should have heard of securities and how easy it is to buy them—haven't." It's our opinion Mr. Jones is right—and that more and more progressive firms throughout the country will join with him when he says—"let's go forward—it's a new day!"

New York Stock Exch. Borrowings Decrease In Month of January

The New York Stock Exchange announced on Feb. 3, 1945, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business Jan. 31 was $912,994,801, a decrease of $59,941,137 from the Dec. 30 total of $972,935,938.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $348,613,498; (2) on all other collateral, $564,381,303; reported by New York Stock Exchange member firms as of the close of business Jan. 31, 1945, aggregated $912,994,801.

The total of money borrowed, compiled on the same basis, as of the close of business December 30, 1944, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $412.500.688; (2) on all other collateral, $560,435,250; total, $972,935,938.

The Stock Exchange also included in its report a comparison of member borrowings for Jan. 1, 1944, compared with Jan. 1, 1945. They are: Jan. 1, 1945, direct obligations, U. S. Government, $412,500,688; all other collateral, $560,435,250; total, $972,935,938; Jan. 1, 1944, $234.215.073; $448,558,470; total, $682,773,543.

Post-War Problems in Their Relation to Securities

(Continued from page 619)

History making events have happened since our last meeting. Although it was beginning to take form at that time by the invasion of Africa, Sicily and Southern Italy, we have now reached, sustained and passed the turning point from defensive to offensive war, both against the Hun in the West and the barbarians of the Pacific in the East, and with Divine help we hope both enemies will have been completely subdued and peace shall have returned to our topsy-turvy world before we meet again next year.

Mr. President, the theme chosen for this convention is "Post-war Problems in Securities Matters," and you have honored my State by your invitation to discuss the subject. I should prefer to approach this subject from the angle of "Post-war Problems in their Relation to Securities," because every problem which we will be called upon to solve after the war will have its effect upon the issuance, marketing, distribution and sale of securities, and consequently upon the administration and enforcement of the so-called Blue Sky Laws of each State and the Federal Government, whether it be the problem of capital or labor, state, federal or international.

Transition Problems

After the war is over the country will not go through one simple transition—the transition from war to peace. On the contrary, it will go through a succession of transitions. The first decade after the war will be punctuated with transitions. It will be a period of major shifts in demand— a period in which economic stability will depend upon our success in offsetting decreases in demand for some products, with increases in demand for others. As the accumulated demand for goods subsides, we must depend for stability upon a rise in demand for industrial construction and residential building. Awareness of the great potentialities of our economy will help us keep our sights high; it will stimulate our confidence in our power to achieve it; it will help us retain and develop the spirit of pioneering and innovation—which is the greatness of America. And just what will these transitions be? No one can tell with certainty. The first, of course, is the establishment of a world organization to make and maintain a good and lasting peace, and the world knows from bitter experience that to make a good peace is more difficult than to wage a victorious war. To erect a world organization to preserve peace is a difficult, complex and technical business. Yet, in its potential effects on our future and that of our children it is the most important task ever faced in the history of civilization. Our leaders recognize this to be true, both Democrats and Republicans, as witnessed by the fact that the formation of such a world organization was not made an issue of the 1944 Presidential Campaign. And here, may I digress long enough to say it has been my experience in our relationship in the Association that no political party lines have been recognized and that we have worked together harmoniously in a common cause. Every man stands on his own footing and it matters not what his political affiliations may be. So, there must be a transition from the old power politics—balance of power of the past, to a complete world co-operation of the future.

Approaches to World Economic Recovery

There is an abundance of literature on the subject of World Economic Recovery, and in it two general points of view reveal themselves.

The first is the idealistic approach; those who see the world shattered into a thousand pieces and believe it our duty to put it together again, piece by piece, but on a greatly improved pattern. They suggest that we must see to it that other countries are placed under what we regard as democratic government, and that the standard of living of all peoples be raised and the differentials between theirs and ours be greatly reduced. Perhaps, after all, we are not yet strong enough nor sufficiently wise to reform the world immediately.

The other approach is more practical and realistic. These people maintain that potential forces exist even now in every country for its rehabilitation, and we only need to release these powerful affirmative forces. The farmer wants to till the soil, the artisan wants to fashion shoes or clothes or machines, the trader wants to trade. In every country there are groups of able and energetic men and women ready to restore the normal ways of life and add to its richness. What they need is not charity but opportunity. No people, no nation, can be handed a better life—they must work it out for themselves. Let us then strive in every way possible to assist in eliminating the obstacles to the initiative and enterprise through which alone the better life for these unhappy peoples can be achieved. Spokesmen for all parties, all faiths, in all parts of this country are today saying in chorus that after this war we cannot back away from international responsibilities as we did after World War I. We must see that these good intentions are not forgotten when the war is over and we turn with relief to the pursuits of peace. Time does not permit a full development of the gigantic part our own country can play in a world organized for peace, but may I suggest that each of us use our influence with our representatives in the Congress of the United States to work for the lowering of trade barriers, and for further development of our reciprocal trade agreements with other nations. The accomplishment of these two things will go far in maintaining peace and to advance the economic development of our own country. It is not easy for friends who are trading with each other to their mutual advantage to fall out and fight. We can no longer live alone. We must have world cooperation—and cooperation is a two-way street. We cannot accept the benefits of world trade without assuming the responsibilities of making it easier for other nations to trade with us.

Domestic Post-war Problems

Now, in order to have economic stability after the war, there are several domestic problems which must be solved. The first is the prompt payment of cancelled war contracts. After World War I the government took an average of three years to settle such contracts and then settled them at approximately thirteen cents on the dollar. Profits then had enabled business men to set aside funds for the future. This time, limits imposed on profits have not allowed many industries sufficient surplus to carry them through a long waiting period. If private business is to have the money to meet its reconversion costs, to provide jobs quickly, and to get started on a peace program, cancelled contracts must be paid promptly.

The second problem in the reestablishment era is disposition of surplus goods. It is estimated that the government now has on hand fifty billion dollars worth of equipment, supplies and materials. Disposition of this will have a terrific impact upon our economy unless intelligently handled. The sudden release of this enormous quantity on the market would destroy the industry and replace the employment of workers otherwise kept busy making new products. Surpluses are the sword of Damocles over the heads of business men. There should be an orderly disposition of these surpluses, acceptable to both government and business.

Third, there is the disposition of government-owned industrial plants. The government has over thirty billion dollars in such plants and equipment, and the government should state its policy on what is to be done with them, so that business can go ahead and plan without threat of ruinous competition. These problems must be met before business can clear the way for post-war jobs. Nobody needs to be reminded that mass unemployment is the worst threat in our post-war economy.

It is estimated that when peace finally comes, there will be approximately nine million ex-service men and women, beside six million released from war industry, looking for jobs. The industrial states will have the most serious problem, as there will be fifteen people for each ten jobs available. Creating jobs after the war is necessarily the concern of private enterprise, if our present economic system is to continue. For full employment we must have about fifty-five million people at work with annual production of about one hundred and forty billion dollars. Industry says it can do the job, but industry must be encouraged by a tax rate which is not confiscatory; otherwise why should business men take the risk? It is pointed out in the Baruch-Hancock report that lower tax rates stimulate a higher volume of business and a higher national income, which will ultimately yield greater total taxes than high rates which depress business volume, employment and income. There must be adequate incentive to encourage risk and responsibility; otherwise dollars saved will not be dollars dared for backing new possiblities for new jobs, opening up new ideas, nor will the new ideas themselves be forthcoming. We must not be satisfied with the past; we must have a better future.

Eric A. Johnston, President of the Chamber of Commerce of the United States, in his new book, "America Unlimited," sums up the question succinctly when he states that while he is not an expert on taxes, he is an expert of sorts on job making. He finds our present tax system haphazard. "It is almost an accidental accumulation of imposts—one tax after another having been added, piece-meal fashion, and the whole tax structure needs to be revised." "Taxation," he says, "is a terrific power for destruction." We must also realize that it can be no less a terrific power for construction. The present tax structure must be revised and reformed to remove barriers to investment and to wholesome business enterprise. It can be—it must be—planned to make jobs, to coax savings and other capital out of hiding, into the active stream of productive investment.

Please understand that it is not my purpose to attempt to cast you into the "slough of despond," because the picture is not all dark. The widespread impression that former wars have always resulted in prompt collapse and stagnation is not correct. The Brookings Institution, in **Collapse Or Boom At The End Of The War**, points out that post-war patterns in the past have been about as follows:

Expect Prosperity To Get It

(a) A few months of hesitancy.
(b) A year or more of active busi-

ness. (c) A relatively short period of trade and financial readjustment. (d) A successful period of prosperity extending over several years. Whether we have collapse or boom at the end of the war largely depends upon us—the people. If people generally expect a post-war depression we are likely to have one, because then people with spendable funds will withdraw their purchasing power, refuse to make commitments and stagnation must result. If, on the other hand, people expect prosperity and act accordingly, current money incomes and funds from past savings will be put to work, thereby creating prosperity. Thus we have on our hands a technical job in both social and economic engineering. No amount of magic or sorcery will sustain a bridge which is grossly overloaded; the economic system is pliable, sensitive, and subject to the human will.

Our job is to state the conditions which will give the system a fair chance to deliver the goods and then create those conditions. We are aware of the large demand for certain consumer's goods and for many kinds of producers' goods that have not been manufactured in any volume for many months. We know about the tens of billions of dollars that have been saved by industry and labor and we know this will be available to finance, at least in part, the satisfaction of needs and wants that cannot be met now. New and modern plants and equipment will bring an enormous increase in our capacity to produce, and our skilled labor force will be unparalleled. A war torn world is waiting anxiously for the day of reconstruction and the reestablishment of normal life. Perhaps most important of all, American industry, labor and the consumer are acutely aware not only of the desirability of utilizing as fully as possible our enlarged productive capacity but also of the necessity to do so, if we would reap the benefits of our resources in a higher standard of living.

Create Prosperity Conditions

Yes, our job is to state the conditions which will give our economic system a fair chance to function properly, and then ourselves go forth and create these conditions. To do this we must abandon the road of riskless economy down which we are marching. Mr. John Clifford Folger, President of the Investment Bankers Association, in a recent address stated that approximately 60% of the invested assets in savings banks are in cash or government securities and only 40% in real estate mortgages and private enterprise securities, but in 1931 the ratio was 85% in private enterprise to 15% in government securities. In the commercial banking field only 30% is invested in assets related to private enterprise, as compared with 80% in 1920. Of securities registered with the Securities and Exchange Commission, and known to have been offered for sale, over 90% in dollar value are either bonds or preferred stocks. The private investor is also playing safe; he is crawling under the bed with the banks; he hesitates to take a chance and is letting his money pile up in the banks. If everybody plays safe, who is going to fight the big wolf of stagnation and depression? Where is the money coming from for expansion of private enterprise?

This riskless economy will not enable us to give employment and pay off debts. We must strengthen the machinery for distributing private enterprise securities, and our investment business must be allowed to make enough money to attract new blood. Our regulatory agencies should, without giving license to the swindler, take their foot off the punitive pedal which they have pressed so heavily in recent years. Venture capital must be encouraged.

Must Encourage Investment

The people of this country have the capital needed for post-war development. The banks are overflowing with it, and it is said to be increasing at the rate of forty billion dollars a year. Investment firms must devise new and broader methods for the legal distribution of securities. Fundamentally, the instinct of the American is towards thrift and private business. He would like to establish his own business. He is irked by his idle dollars in the bank growing anemic from disuse. Let's put these idle dollars to work; get the ball in play; create the conditions to give our economy a fair chance.

I agree with Mr. Folger that in order to do this, we should streamline the securities laws to eliminate bottlenecks and encourage the free flow of investment capital. We should give the small investor throughout the country the same chance to purchase securities as the large and sophisticated buyer now has. Compulsory bidding and like regulations are hurting both the little investor and the little dealer. The little dealer is the one the small investor will patronize, and he should be encouraged to remain in business. We should correct the present system of taxation on venture capital. If continued after the war it will kill the goose that lays the golden eggs. There must be some relief from this so-called excessive double taxation—first the corporation's income and then the stockholder's income. Give capital that takes a chance a run for its money. We should eliminate this so-called capital gains tax. This will bring the large investor into the picture. He now has little or no incentive to increase his income. We need the large investor in development of new industry.

Finally, let us strive to administer a good dose of optimism and faith in the future of our country. The trend toward riskless economy must be arrested. There is no such animal as "riskless" business, and our securities regulatory bodies should remember this when considering applications for the sale of stock in a new enterprise. It is not our province to guarantee that any particular business will pay dividends, or even be a success. We can only analyze the application, and if in our opinion the sale of the securities in question would not be fraudulent, nor work or tend to work, a fraud upon the purchasers, and if the enterprise is not founded on unsound business principles, then permit should issue. This is the only yardstick by which we can measure such applications. We are not prophets and haven't the power to look into the future as to the success of the undertaking.

Post-war Securities Regulation

As for our own individual problems as officers charged with the duty of administration and enforcement, they are going to remain largely the same in the post-war period, except on a greatly accelerated scale. The swindler, like the poor, is ever with us. He will come forth with new and streamlined schemes to initiate the unwary victim into the ancient order of suckers. Many good men and women will fall victim to his fantastic claims of fabulous profits, and there is ever present Barnum's "one a minute" bunch always ripe for plucking. We can never entirely eliminate the swindler; we can only hope to keep his activities at a minimum by the exercise of eternal vigilance, and by educating the public to deal only with legitimate, registered dealers.

So it can be seen that the intelligent and successful solving of these problems, and other problems which are sure to arise, will have a direct relation to our post-war securities problem, whether we be an issuer or dealer, broker or investment banker, or one charged with the duty of enforcement. They are inter-dependent problems, and our economic success in the years to come depends upon just how they are solved. Economic failure or success in the post-war years is entirely up to us and we must deal with the problems intelligently. We must be neither conservative nor radical in our thinking or our acts, but always liberal.

And now, Mr. President, upon this note of liberalism, I quote Dr. Walter J. Matherly, the able Dean of the College of Business Administration of the University of my own State of Florida, in his masterly discussion of the subject "Post-war Development of Private Enterprises":

> "In post-war America an ever increasing number of liberals will be required. Liberals occupy a position midway between conservatives on the right and radicals on the left. Conservatives, on the one hand, believe in things as they are or as they have been; they resist change; they oppose progress; they are content with the past and desire to see that the past continues unchanged. Radicals, on the other hand, want to ignore the past, abolish it, to break with it, to cut it off; they reject the old—all of the old; they do not see progress as a continuous process; they see it as something which comes in jerks or in series of revolutions. Liberals, however, accept the principles of natural change in man and things; they hold that the new grows out of the old and that it adds itself to the old, but that it does not sever connections with the old. They agree with Kallen that 'the persistence of the old is just as ineluctable as the influx of the new.' In the post-war economy of America, therefore, there will be no room for either conservatives or radicals. There will be room only for liberals—liberals who want to add the best of what we have to the best of what we have had, and thereupon erect a finer superstructure than anything that exists in the present or anything that has ever existed in the past."

Senate Confirms Mahaffie And Alldredge to ICC

The Senate on Jan. 18 confirmed the nominations of J. Haden Alldredge and Charles D. Mahaffie, both of whom were named for re-appointment as commissioners of the Interstate Commerce Commission by President Roosevelt on Jan. 3. Under date of Jan. 3 Washington advices to the New York "Times" said:

"In nominating Commissioner Mahaffie the President ignored demands from Southern members of Congress for the substitution of a Southerner who would be sympathetic to the efforts of his constituents to end what they regard as freight rate discrimination.

"By nominating Mr. Mahaffie the President left it to members of Congress to decide whether or not they want a different Commissioner."

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Two weeks ago this column presented the 1944 net operating earnings per share of 16 leading New York City banks, compared with 1943 and previous years. This week 1944 and 1943 earnings are shown for 16 leading banks in cities other than New York, also annual dividends and book values as of Dec. 31, 1944 and 1943.

As in the case of New York City's banks, these banks generally show substantial gains in 1944 over 1943. It will also be observed that dividend coverage in the majority of cases is generous, and that increases in book-value have been good. There has been a definite attempt on the part of these banks to strengthen capital funds in view of the exceptional expansion of deposits that has been experienced during the war years.

	Net Operating Earnings per Share 1943	1944	Dividend Rate	Book Value 12-31-43	12-31-44
Boston					
*First National	$3.56	$3.79	$2.00	$43.35	$44.49
National Shawmut	†1.31	†1.32	1.00	39.09	39.41
Philadelphia					
Corn Exchange Nat. B. & T.	4.92	4.96	2.00	63.10	65.63
Fidelity-Philadelphia Trust	28.17	25.37	10.00	315.16	339.94
Girard Trust	4.82	5.54	2.00	40.55	41.61
Pennsylvania Company	2.56	2.93	1.60	27.68	28.55
Philadelphia National	8.39	8.46	5.00	70.97	74.23
Baltimore					
First National	7.49	5.67	2.50	30.55	31.73
Pittsburgh					
First National	2.19	2.50	1.60	46.66	48.60
Cleveland					
‡National City	3.09	2.94	1.40	36.14	36.59
Detroit					
National Bank	3.89	4.90	1.00	30.17	33.40
Chicago					
Continental Ill. Nat. B & T.	8.45	8.96	4.00	72.45	77.48
First National	15.27	17.31	8.00	186.38	207.69
§Harris Trust	25.42	22.98	12.00	337.96	267.45
Northern Trust	35.27	37.66	18.00	507.27	626.93
San Francisco					
American Trust	6.45	7.02	1.60	50.35	54.91

*Includes Old Colony Trust. †Indicated earnings. ‡450,000 shares in 1943; 562,500 in 1944. §60,000 shares in 1943; 80,000 in 1944.

A continuation of the growth of deposits and earning assets, which growth has provided the basis for the upward trend in earnings, is expected to persist at least until the end of the war. After the war some districts may be affected more or less seriously through the closing down of war industries. The rapid expansion in deposits has, in practically all cases, come about through war industries being located in the territory served by each bank, as well as through the "deficit financing" program of the Government. Thus, in some cases, a substantial proportion of total deposits may well be Government war-loan deposits and war contractors' deposits, subject to withdrawal from a particular area as the war comes to a close, unless sufficient peacetime industry and payrolls are available to step into the breach.

For example, in an area where wartime shipbuilding has caused a large influx of workers and necessitated the purchase and shipment of great quantities of supplies and materials, the cessation of this war activity can have serious local repercussions. What will take the place of shipbuilding? Stuart Chase, in his new book, "Democracy Under Pressure," points to the problem that will face union labor in some regions, and which thus will face the community, as follows: "Take the Kaiser shipyard in Portland, Oregon, as an example of what labor is up against when the war ends. We know that whatever they may make in these shipyards it will not be many ships. The company, the Portland Chamber of Commerce, and the U. S. Maritime Commission sponsored a joint survey in early 1944 of the 81,881 workers in the plant. Almost two-thirds of them, it was found, came from **outside** Portland, and almost half of these intended to go on living in Portland after the war. Yet 86% of the whole force, 70,000-odd workers, **had no postwar job in sight except with Kaiser!** Can you imagine the stampede when the men realize that there are no more ships to build?"

The point to remember is that, after the war, deposits may tend to move from war production centers to financial and consumer-goods centers. Thus, dealers and investors in the stocks of banks out of New York and other large financial centers, should study with great care the situation of each bank, not only as to its current condition, but more particularly with regard to its post-war prospects and the extent to which it may be affected by the change-over from a war-economy to a peace-economy.

True, it appears inevitable that for a number of years after the war our Government will be unable to balance the budget and must, therefore, continue its program of "deficit financing." Consequently, the banking system in general will continue to extend credit to the Government, expand its holdings of Governments and increase its income from this source. In addition to this, it appears certain that a large demand for bank credit will be made by industry for reconversion purposes and for the production of peacetime goods, while consumer goods financing and the revival of foreign trade will also require a considerable volume of bank credit.

In the case of New York City's leading banks, their business is so largely national and international in scope, that they are relatively unaffected by regional upsets and maladjustments. And as for the banking system as a whole, many years of prosperous business extending well into the post-war years appears to be in prospect. However, unusually great care in selection, coupled with adequate diversification, would seem requisite for the bank stock investor today, particularly if his interest is in those banks which have been especial beneficiaries of war industries.

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Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Ralph A. Barron** has joined the staff of **J. H. Goddard & Co.,** 85 Devonshire Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**George Higginson** is with **Russell, Berg & Company,** 75 Federal Street.

(Special to The Financial Chronicle)

CLEVELAND, O. — **James C. Brooks, Jr.** and **A. Julius Weidenkopf** are now with **Hawley, Shepard & Co.,** Union Commerce Building. Mr. Brooks has recently been in the armed service. Mr. Weidenkopf has been in business as an insurance broker.

(Special to The Financial Chronicle)

DENVER, COLO.—**Laurence C. Inman,** with Sargeant, Malo & Co. for the past nine years, has become associated with **J. A. Hogle & Co.,** Equitable Building.

(Special to The Financial Chronicle)

JACKSONVILLE, FLA.—**Howard S. Huffman** is with **Southeastern Securities Corp.,** 308 West Adams Street.

(Special to The Financial Chronicle)

LONG BEACH, CAL.—**Ansley L. Oltman** has been added to the staff of **Tucker & Company,** 132 Pine Avenue. Mr. Oltman was previously with Halbert, Hargrove & Co.

sociated with **Gross, Van Court & Company,** 639 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Daniel W. Hanson** and **Rae Field Hyman** have joined the staff of **J. A. Hogle & Co.,** 507 West Sixth Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Al Esswein, Jr.** and **J. Laurence Rosenfield** are with **E. F. Hutton & Company,** 623 South Spring Street.

(Special to The Financial Chronicle)

MIAMI, FLA. — **Frederick J. Veith** is now with **Cohu & Torrey,** Alfred I. du Pont Building.

(Special to The Financial Chronicle)

MIAMI, FLA.—**Richard Ricks White** has been added to the staff of **Blair F. Claybaugh & Company,** Mercantile National Bank Building.

(Special to The Financial Chronicle)

OAKLAND, CALIF. — **Edmund L. Levy,** previously with Conrad. Bruce & Co., is now affiliated with **Merrill Lynch, Pierce, Fenner & Beane,** Central Bank Building.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**Frank A. McGinley** has become connected with **Blyth & Co., Inc.,** Central Bank Building.

(Special to The Financial Chronicle)

PASADENA, CALIF.—**F. Stuart Roussel** has become associated with **Nelson Douglass & Co.,** 510 South Spring Street, Los Angeles, Calif. Mr. Roussel was previously with Blyth & Co., Inc.

(Special to The Financial Chronicle)

PORTLAND, Ore.—**A. J. Peaper** has joined the staff of **Foster & Marshall,** Porter Building.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Laura May Kinkead** is connected with **Herrick, Waddell and Company, Inc.,** 418 Locust Street.

(Special to The Financial Chronicle)

ST. LOUIS, MO. — **Elmer L Rehmer** has become associated with the **Metropolitan St. Louis Company,** 718 Locust Street. Mr. Rehmer was formerly with the U. S. Army.

Business Connections With Belgium, Italy

The three-year blackout on business and commercial communications with Belgium was lifted on Feb. 2 by the Treasury Department. This action coincided with the restoration of closed letter service with liberated Belgium and is a further step in the resumption of normal relations with the liberated areas of Europe.

As in the case of France, Treasury licenses no longer are required to exchange financial and commercial information with persons in liberated Belgium. Concerns in Belgium and the United States may resume business contacts and negotiate for the commencement of private trade. Creditors may communicate with their debtors in Belgium to pave the way for obtaining payment orders or documents to substantiate their claims. Banks, brokerage houses, and other financial institutions may advise their customers of the status of their accounts. Bank statements, financial records, commercial reports, wills, and death, birth and marriage certificates may be transmitted. Proxies may be solicited and signature cards may be obtained.

As soon as banks in this country are able to establish the necessary arrangements with Belgian banks, support remittances up to $500 per month to individuals in Belgium may be made through banking channels under General Licenses Nos. 32 and 33. Currency, money orders, checks or drafts cannot be used for this purpose, since their transmission continues to be prohibited.

In connection with Italy the Department said:

"Support remittances may now be sent to the recently liberated Italian provinces of Ancona, Arezzo, Livorno, Perugia, and Siena, to the cities of Florence and Pisa, and to those portions of the provinces of Florence and Pisa south of the Arno River. Remittances of this type have previously been authorized for other liberated provinces of Italy as well as Sicily and Sardinia.

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LONDON OFFICES:
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8 West Smithfield, E. C. 1
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Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
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Associated Banks:
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Glyn Mills & Co.

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BANK OF
NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital £8,780,000
Reserve Fund 6,150,000
Reserve Liability of Prop. 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1944 £208,627,093
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The Bank of New South Wales is the oldest and largest bank in Australasia. With branches in all States of Australia, in New Zealand, the Pacific Islands, and London, it offers the most complete and efficient banking service to investors, traders and travellers interested in these countries.
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Paid-Up Capital £2,000,000
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Trusteeships and Executorships also undertaken

Making Democracy Effective

(Continued from page 618)

government planners righteously laying down the law to, and collecting taxes from, an obedient and subservient populace. There is so much that appears on the surface to justify moving in that direction. If people don't want to send their children to school, they must be made to send them—so we have compulsory education. If they don't want to avoid smallpox, they must be made to avoid smallpox, and we have compulsory vaccination. Some such uses of force we know are necessary in order to protect the rest of us. But—if people don't want to stop drinking alcohol, they must be made to stop drinking alcohol—and we have prohibition. If people don't want to grow the right crops, they must be made to grow the right crops—and we have crop control. It is perilously easy to call upon government to enforce our own wishes on other people and to think of government control as being the best way to make other people behave. When we get in the habit of doing that we are undermining democracy.

Closely allied with our native dangerous reformers are the equally high-minded immigrants and the children of immigrants who have been brought up not only with very little understanding of what democracy has stood for in this country but also with carefully cultivated cynicism towards those of us who try to tell them about it. Such people interpret America in European terms. They want to destroy the old order here because they distrust the old order in Europe.

Then of course there is a third group to which almost all of us have unfortunately belonged at one time or another—good loyal Americans, who believe that government should serve all the people fairly, but who pull every wire to get special privileges, special perquisites, special legislation, to favor our own group at the expense of the people as a whole. Whenever we join selfish special pressure groups, we also destroy democracy.

The intentional enemies of democracy, the avowed totalitarians, are very few in number, but they are cold-blooded, unscrupulous, clear-headed, and skilful; and they infiltrate idealistic groups. They persuade the sincere reformers to do their destructive work for them. They encourage minorities to demand more and more special privileges. They furnish the cohesive force for apparently uncongenial political groups.

That is what has been happening with quietly accelerating speed in the United States. The war has hurried up the process; for the war has made dictatorship attractive to many people. In a war a country must go totalitarian to some extent. We can't fight a war with volunteers; the only fair method is the draft. We have to take measures to fix prices and wages; we have to levy taxes that in some cases are confiscatory. In war the whole nation has to go under orders in very many things.

For the moment, our whole objective is to carry through and win the war, but we must give sober thought to the direction in which we shall be moving when the war closes. The post-war problems will be complex and we are already committed in advance to many controls. Both parties in the autumn election committed themselves to a floor under agricultural prices. Certain of the inflation price controls and certain types of rationing will continue at least for a time. National and international controls over the prices and production of some basic commodities are planned.

Money and Banking Controls

We are pretty well committed to the control of interest rates at low levels. Rises in interest rates used to be one of the natural checks to over-expansion of credit. If rates are fixed by government, and that seems hard to avoid in view of the size of the debt, there are likely to be other controls such as the continuance of control over consumer credit, and over security and other loans. We shall thus have increased regimentation of credit.

The fundamental problem which we all face in the post-war period is the kind of government and country we want. The danger is that unconsciously and by the force of circumstances we shall be influenced to accept the kind of government we don't really want.

We may as well confess that the banker is already to a considerable extent in the hands of the government. More than half of his assets are in government securities. Other assets are guaranteed by the government, such as V and VT loans, CCC loans, and FHA mortgages. Our deposits are guaranteed by a government insurance corporation. Still more proposals are before us for a guarantee of commercial loans and for a guarantee of veterans' loans.

These forms of guaranteed credit are attractive because they remove the risk from banking and it would be easy for each of us to sit back and become a kind of glorified slot machine. This is well on the road to socialized credit. It moves in the opposite direction from democracy and enterprise. It is a kind of opiate that dulls initiative.

The farmer is in exactly the same fix. Guaranteed farm prices inevitably mean government control over production. If the government is to guarantee the price, it will tell the farmer what and how much he may plant and how much he may harvest. Since this price and production will be determined by political rather than economic reasons, the long term results are usually unfortunate. I call to witness simply the loss of a large part of America's markets for export cotton.

The educators also are putting their necks in the noose in asking for grants of Federal funds for education. They say they want these funds granted without any Federal control. That sounds like eating your cake and having it too.

The housing people want Federal money in large blocks—also without control.

Guaranteeing Jobs

The latest idea for curing all the country's economic diseases is the plan to have the Federal Government guarantee 60,000,000 jobs. How can they do it? By spending and lending money—and it would take lots of it. But the rub is that the money has to come from somewhere and there are only two places—borrowing and taxes. Continued borrowing means inflation danger and that means continued control over prices and wages. Taxes mean the stifling of enterprise and that means the government has to employ still more people itself and interfere still more with business. It's a first-class plan for enlarging the bureaucracy and leading us far down the road to totalitarianism in which the state owns all business.

Most of the advocates of these plans are thinking of their own interests—not of the long distant results, but the results will follow just as surely as though they were the object sought.

All our experiences shows that state socialism is the opposite of democracy. That was true in Italy and is true in Germany and Russia. In a democracy the supreme goal is the worth of the individual—his freedom to live his life and make his own choices.

The methods of Hitler are compulsion and lies. The Gestapo is supplemented by a perverted emotional mass appeal. The result is to rob the individual of dignity and freedom of choice.

The method of democracy is persuasion, education, the appeal to reason, integrity in government which brings confidence.

What Bankers Should Do

What do we do about all this? We can't turn the calendar back to the good old days. It won't do any good just to fulminate against the trend.

The first thing is for each of us, in whatever walk of life he is, to do his own job better and lessen the excuse for the government to be called in to take over. We bankers are trying to do this in our loan policies, especially our loans to small business and veterans.

Second, we must pay more attention to political questions and their relation to us. It will no longer do to send just anybody to Congress — its powers are too great. We must try to get good people into Congress and into the adminsration of government also. We ought to pay them more.

Third, each business ought to have people whose main business is working with government. It is now a regular part of any business. We bankers have an agency for this in the American Bankers Association and it is operating effectively. Its effectiveness and that of other such organizations depends on two things: Having the facts and having the right point of view. I have sometimes spoken of our secret weapon: we will ask the Congress only for what we believe is in the public interest. If every one followed that rule we should have a better country.

The ferment of today about the future of this country is more wholesome than an unimaginative longing to return to normalcy. It is the ferment of progress. But it will boil over if it is not watched. The French Revolution became the dictatorship of Napoleon.

Inevitably we shall have more government than we have had before. We have learned some of the things government can do—just as we did with the Federal Reserve Act. Some of these new things are wholesome. But the price of liberty—of keeping the stream from becoming a flood to drown out our democracy—is vigilance.

That this is not just one man's fear let me quote from a wise old Swedish professor who has recently died—Gustav Cassel. He lived, remember, in a country which has tried many social experiments—many considered successes: "The leadership of the State in economic affairs which advocates of Planned Economy want to establish is, as we have seen, necessarily connected with a bewildering mass of governmental interferences of a steadily cumulative nature. The arbitrariness, the mistakes and the inevitable contradictions of such policy will, as daily experience shows, only strengthen the demand for a more rational coordination of the different measures and, therefore, for unified leadership. For this reason Planned Economy will always tend to develop into Dictatorship. . . ." "What stands to be lost is nothing less than the whole of that civilization that we inherited from generations which once fought hard to lay its foundations and even gave their life for it."

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PRODUCTS

A Report to the Public by
JOHNS-MANVILLE

Highlights of 1944—third year of wartime operations

★

The public has a vital interest in knowing how well industry is doing its job in these critical war days.

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Because we believe the people want such information, Johns-Manville—as a typical American company—is again reporting not only to its stockholders and employees, but also to the public.

We publish below highlights of our annual statement as a report on the progress we have made in 1944.

Total Income	**$101 million**
For all costs (except those shown below)	**48 million**
To employees for salaries and wages	**39 million**
To government for taxes	**9 million**
To stockholders in dividends	**2 million**
Leaving in the business	**3 million**

★ For the third successive year, wartime production as measured by sales exceeded $100 million. This compares with $62 million in our peak year of peacetime production.

★ Earnings after taxes were $5\frac{2}{5}$ cents per dollar of total income.

★ Wages and salaries were $38\frac{1}{5}$ cents per dollar of total income.

★ Planning committees continued to analyze basic operations of the business and to project new plans and activities which will assure maximum war efficiency as well as new and improved operating methods and products for the years ahead.

★ **The Fund for Deferred Expenditure** was increased to $14,022,499. It will supply part of the capital necessary for post-war expansion, and help provide jobs for our men and women now in the armed services when they return.

★ **Taxes were $9\frac{1}{5}$ cents per dollar of total income.** They were equivalent to $10.93 per share of common stock, or $714.55 per employee.

★ **1944 production** was accomplished in the face of severe manpower shortages. There were 13,000 employees at the end of 1944, compared with 14,100 at the end of 1943—a loss of 1,100.

★ **Continued excellence of war production** was attested to by additional awards of the Army-Navy "E" at two factories and at the Kansas Ordnance Plant, a Government-owned bomb- and shell-loading plant built and operated by Johns-Manville.

★ **At the end of the year, 4,518 J-M men and women had** entered the armed services of the United Nations. Sixty-one had lost their lives on active duty.

As we enter the fourth year of wartime operations, we renew our pledge to let no consideration swerve us from the task of working for victory to the full extent of Johns-Manville's ability to produce.

Lewis H. Brown
PRESIDENT, JOHNS-MANVILLE CORPORATION

These are a few of the products coming off the Johns-Manville production lines: *Insulations for ships, steel mills, synthetic rubber plants and other vital war industries; packings, gaskets, brake linings for war machines; building products for war construction; Celite products for camouflage paints; asbestos fibre; bombs and shells.*

Those desiring more complete information **should refer to a booklet containing the formal Annual Report to Stockholders which we will be glad to furnish on request. Address, Johns-Manville, 22 East 40th Street, New York 16, N. Y.**

Supreme Court Rules Against Treasury In Computing Tariff—Upholds Reserve Bank Rate

In a 6 to 2 decision the United States Supreme Court on Feb. 5 ruled against the right of the Treasury to direct customs officers in computing tariff duties to use only an "official" rate in converting British pounds sterling into dollars. The majority held instead that the "free," or lower, rate of exchange prescribed by the N. Y. Federal Reserve Bank, should have been used. In its account of the findings of the Supreme Court, Washington advices to the New York "Times" Feb. 5 said:

John Barr, woolen importer of 489 Fifth Avenue, New York, was the successful appellant in this suit against the Government, which won in the Court of Customs and Patent Appeals only to lose in the highest court today.

Associate Justice William O. Douglas wrote the majority opinion, which was opposed by a combination rare indeed in Supreme Court annals Associate Justices Felix Frankfurter and Hugo L. Black. Associate Justice Robert H. Jackson did not participate.

Before March 5, 1940, the Reserve Bank set a single rate for the exchange, and this was universally employed. But on that date the United Kingdom established an "official" rate for export. The Reserve Bank told the Secretary of the Treasury of the two rates, and he determined that the "official" figure must obtain. Mr. Barr's woolens, exported from England May 3, 1940, and arriving here May 13, were paid for at the "free" rate, but because on the exportation date the "official" rate prevailed, the Treasury used it.

"We think," Justice Douglas stated, "that the use of the 'official' rate of exchange in assessing and collecting duties upon these imports transcended the authority of the collector and of the Secretary and that the 'free' rate of exchange certified by them (Reserve Bank) should have been used.

"In the present case," Mr. Douglas said earlier, "the British Government fixed the 'official' rate for the purchase of specified commodities for export. One who purchased woolens for export need not acquire pounds at the rate. A lower rate was available and was indeed taken advantage of by petitioner (Barr) when he purchased pounds to pay for the woolens. If the higher 'official' rate is used in the valuation of the woolens, the cost of the goods will be distorted and an inflated value for customs purposes will be placed upon them."

Justice Frankfurter wrote the dissent in which Mr. Black joined. the dissenters concluded that the Treasury Secretary had ample authority to fix a rate for dollar conversions of foreign currencies on a uniform basis "reflecting the dominant value among multiple values of a foreign currency and one not subject to manipulations or influences adverse to our interests."

"Withdrawal of this power of the Secretary," Mr. Frankfurter added, "implies a radical curtailment of his historic and appropriate authority to protect the nation's fiscal interests. If it chose, of course, Congress can so curtail the Secretary's powers. But such an important change in the executive responsibility for our fiscal affairs ought to be disclosed through some unequivocal Congressional expression."

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Federal Income Tax Withholding Charts—Manufacturers Trust Company of New York.

International Conciliation for January, 1945—Carnegie Endowment for International Peace, 405 West 117th St., New York 27, N. Y. paper—5¢ (25¢ for one year's subscription).

Production Management — and How It Affects Productivity, Costs and Employment — Albert Ramond and Associates, Chrysler Building, New York 17, N. Y.—paper.

Tool and Die Industry Comes of Age—William R. White, Jr., and Stuart H. Sinclair—National Tool and Die Manufacturers Association and The Tool & Die Institute of Chicago—Copies may be purchased by writing George S. Eaton, Executive Secretary, National Tool & Die Manufacturers Association, Union Commerce Building, Cleveland 14, O.

What Foreign Trade Means to You—Maxwell S. Stewart—Public Affairs Committee, Inc., 30 Rockefeller Plaza, New York 20, N. Y.—paper—10¢.

G. I. Loan Procedure—A portfolio of instructions for making loans under the Servicemen's Readjustment Act of 1944—New York State Bankers Association—33 Liberty St., New York 5, N. Y. —paper.

Strengthening the Congress—Robert Heller—National Planning Association—800 Twenty-first St., N. W., Washington 6, D. C.—Paper—25¢

Government Controls and Industry's Pricing Policies

(Continued from page 621)

you will find profits taxes are ignored, as indeed they may well be if there are to be no profits.

But how can business operate without profits! Henry Wallace himself couldn't think up any better scheme to undermine the foundations of a sound and prompt reconversion. We must have both employment and profits. Without either we can have neither.

OPA is supposed to work out some of these problems in consultation with industry. Do they do it? No!

When any industry looks ahead to the days of reconversion and immediate post-war, and in dismay contemplates the effects of such a profit-pinching policy on its ability to do its part in reemployment, in getting the producing and distributing machine going at the tremendously increased rate necessary to provide all the needed jobs, and find the powerful price control bureau deaf to the economic facts, what can the industry do about it?

Well, 103 stove manufacturers got together and decided the public and Congress ought to know something about it. They even contributed a little money to implement a better understanding of their predicament. For, although a few small stove manufacturers had been permitted to make stoves during the war at full blast and with a volume which, taken from their shipping rooms with practically no selling cost, had made them good profits, the great majority of the manufacturers, including a lot of small ones, had been put out of the stove business, and realized they would be up against it to continue to pay the wages developed in their plants in war production, and the increased cost of material, and at the same time to sell their goods under OPA, announced price policies which would not permit any profit or, at the most, not enough to support a sound business.

When Mr. Bowles heard that these stove people were going to the public and to Congress with their case, what did he do?

He went to the radio. He said: "Recently a pressure group scheme was brought to my attention which illustrates vividly some of our problems in holding the line against inflationary price increases."

He said: "These minority groups of inflationists and profiteers used every possible method to influence public and Congressional opinion to get higher prices for the products or services which they sold in wartime."

And then, horror of horrors, these stove people hired a publicity man. Mr. Bowles said: "He saw this little group of manufacturers wanted higher profits. He outlined for them a plan by which he felt Congress and the OPA could best be intimidated into granting higher stove prices."

Mr. Bowles then implies that a number of economists were improperly influenced to lend their weight to the selfish profiteers and inflationists, thereby casting aspersions on some of the best regarded and best informed economists in the country. He outlines at length this plot to influence public and Congressional opinion.

He says, after stating that **some** stove-makers have been making good profits during the war: "In a handful of cases, however, a few stove manufacturers have really been squeezed by rising costs. In some of these cases special price adjustments have been made."

He says: "One small group in the stove industry, however, lacks confidence in the fairness of this essentially American and democratic way of doing business in war time."

Have these adjustments provided for any profit? OPA has not only limited price increases to manufacturers to the recovery of their costs, but in its recent pronouncements has stated that any such increases must be absorbed by distribution and not passed on to the public.

Now what have these few stove-makers who, by the way, are 103 stove-makers and represent most of the industry—what have they asked for that should subject them to such incriminations?

First, they have pointed out that OPA is not carrying out the intent of the Price Control Law but is arbitrarily tinkering with the American profit system which tinkering Mr. Bowles calls: "This essentially American and democratic way of doing business in war time."

Second, they are looking ahead as to their ability to reconvert and produce stoves when the green light comes, rather than worrying about the prices of stoves they do not make at the present time.

Third, as to price, they are simply asking that when they get to making stoves again the increased costs which they cannot avoid be recognized and that they be allowed their pre-war or so-called **historic** margins of profit over these increased costs. That is the **maximum** they are asking for.

There is no slightest basis for the charge of "profiteers and inflationists" in the action of these stove makers. They can't get him to listen to them and he says they should not go to the public nor Congress. This narrows down the choice of places where he might tell them to go.

Let's get some sense into this question of post-war prices of durable consumer goods, and any other goods similarly mishandled by OPA. Price ceilings should be held on such scarce goods at a point which absorbs the unavoidable increases in cost and prevents the inflation of profit margins but does not eliminate nor substantially reduce the profit margins. Under such a general policy business could go ahead with that confidence which must be created if we are to see the bold and swift reconversion we all want. Under such a policy supplies would rapidly increase and the forces of competition would stimulate engineering and plant and process improvement so that the abundance of goods would soon remove any need for price control.

Any assumption that goods will sell themselves and that the margins of distributors and dealers can be cut is as fallacious as the assumption that manufacturing margins can be safely cut by government. It has been demonstrated, I think, that a greater distributive effort than ever will be required to insure the greater consumption we must have. The rapid rebuilding of sales organizations and the retraining of salesmen should not be delayed nor prevented by the government reducing distribution margins. Here again the historic margins should not be squeezed down. These ratios of selling price over cost have been evolved in the intensively competitive business of the past. Government tinkering with them is exceedingly dangerous.

For OPA to recognize and respect the historic spread ratios between cost and selling price would not, I believe, increase prices beyond what is necessary to stimulate reconversion nor beyond the ability of consumers to buy and would be a sound control of inflation.

May we now consider briefly another phase of government control of pricing? Government should not be permitted to extend discriminatory nor socialistic favors to any particular types of business. Co-ops should have to stand on the same competitive basis as other forms of manufacturing and distribution. For Co-ops to get a large part of their capital from excessively long government loans at practically no interest puts government capital into competition with private business. And for government to favor Co-ops in taxes adds to a trend to socialize business.

It is not pressure group opposition but enlightened self-interest for all of us to oppose the use of government capital and the extension of government tax favors to any form of competitive private business. If Co-ops can thrive on such capital as they can attract from individuals or banks or from all of the sources used by private industry and pay taxes in the same way as other business in the same fields, they may be a useful and desirable factor in business. If they are provided with government capital and do not pay their fair share of taxes, their existence will tend to drag other business down to the government owned and patronized level, and to become an increasing burden on all of those who still pay taxes. Although Co-ops usually sell at prevailing prices and refund a portion to subscribers, they constitute essentially price competition. To that there can be no objection if and when they play the game to the same rules as other forms of manufacturing and distribution.

In the few minutes at my disposal it would seem to me that the two subjects I have touched upon are the most generally important present phases of government controls in industry pricing. I hope your own knowledge of these subjects rather than my brief remarks about them, makes you wish to do all you can to bring about a more general understanding and a consequent enlightenenment of public and Congressional opinion which will free private competitive enterprise from some of its shackles.

Los Angeles Banks Organize Credit Group

A group of Los Angeles banks on Jan. 17 announced plans to form a credit group with a $30,000,000 pool to aid small and medium size business in the post-war period. We quote from the Los Angeles "Times" which also said:

"Participating in the pool will be the Los Angeles banks constituting the Los Angeles Clearinghouse Association. according to Victor H. Rossetti, President of the association, who made the announcement.

"Under the plan now in process of preparation, a loan committee will be provided, which will make available the combined facilities of credit and counsel of the member banks, which can be called upon to consider the financial needs of small business in the Los Angeles area."

Fred O'Donnell Associated With Lester & Company

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Fred C. O'Donnell has become associated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. O'Donnell in the past was active as an individual dealer in Los Angeles, and was with Crowell, Weedon & Co. and Edgerton, Riley & Walter.

Bowles Says Distributors Must Share in Absorbing Higher Costs

(Continued from page 621)

a set of standards comparable in precision to those applied at the manufacturing level. The need for renewed attention and a more careful working out of standards of obtaining cost absorption at the wholesale and retail levels has become urgent for a number of reasons, the Administrator explained.

"Since the President's hold-the-line order became effective, the cost of living has been held to an increase of only one per cent," he said. "During those same 18 months, wholesale price increases have been limited to three-tenths of one per cent. These figures are from the Bureau of Labor Statistics.

"That excellent record was attained in large degree because of OPA success in reducing retail prices of food by 4.5 per cent since May, 1943. Record crop yields, subsidies and effective control of food prices at all levels, including distribution, have made this possible.

"Had it not been for this successful operation of the food price program, the story of price stabilization might have been far different. Lower retail food prices have helped to offset increases of 11 per cent in clothing prices and a rise of 13 per cent in house furnishings prices. The decline in food prices—some to below ceiling prices—has almost wholly counterbalanced these other increases because food prices represent about 40 per cent of the cost of living budget of the average middle and lower income groups.

"In 1945, inflationary pressures are likely to be greater than ever before in the nation's history. We cannot hope blindly that unusually favorably growing weather for farmers will continue year after year. If crop conditions should be adverse this summer all food prices would push hard against the ceilings and the stability of the cost of living would be threatened seriously.

"This possibility plus the fact that price rises in consumer goods constitute the most dangerous threat to stable prices, makes it absolutely essential that a policy of reasonable absorption by distributors be carefully developed and uniformly applied."

Conditions exist in the distributive trades which permit reasonable absorption of cost increases, Mr. Bowles said.

"As in the case of other business groups, operations of retailers, wholesalers and other distributors have been very profitable during the war period," he said. "Department stores, when greatly increased volume of sales are taken into account, are making dollar profits before taxes which are much more than ten times their 1936-39 earnings.

"Greatly increased profits have also been experienced by many other types of stores. In the retail field, these include men's clothing stores, women's specialty shops, variety chains, hardware stores, furniture stores, music stores, and others. Dry goods wholesalers, hardware wholesalers and other wholesale distributors are experiencing highly favorable earnings.

"These facts indicate that the distributive trades are in a position, with few exceptions, to share cost increases that occur under standards which fulfill the requirements placed on the OPA by the Congress and Executive orders. Under these standards, we believe that distributors at the end of the war, with rare exceptions will still be in a far more profitable position than they ever experienced in peacetime.

"We have an obligation to protect consumers against increases in retail prices on those occasions where some increase is necessary at the manufacturing level.

"I believe there is no question of the reasonableness of our stand. I am confident that the vast majority of store owners, wholesalers, and other merchants will cooperate with us to the hilt."

OPA Pricing Standards Explained

Mr. Bowles outlined to the distributors attending the meeting the pricing standards developed by OPA, approved by Congress and upheld in the Courts to carry out the provisions of the Emergency Price Control Act that ceiling prices shall be "generally fair and equitable."

"According to these established standards ceiling prices of the products of a trade or industry as a group are 'generally fair and equitable' so long as they yield to an industry or trade as a whole at least its peacetime profits before taxes," Mr. Bowles said. "In addition, for industries producing more than one product OPA would not consider the price on one of these products to be fair and equitable if the price failed to cover the out-of-pocket cost of all but the high-cost marginal producers.

"Our pricing standards require the absorption of increases in cost before price increases are allowed except where the result is to make the price below the 'generally fair and equitable' level. OPA has employed this absorption principle at the manufacturing level practically since Pearl Harbor.

"If it had not been for this principle the level of all prices would be far higher than it is today. We would be headed toward a dangerous inflation.

"In working out a program of comparable principles for absorption by retailers and wholesalers, we will not require them in any trade to absorb increases in the prices of goods they purchase or increases in other costs if it reduces that trade's over-all profits below its peace-time earnings.

"This does not mean that ceilings must be set so that every wholesaler and retailer can obtain a profit regardless of individual efficiency. It means that ceilings must be such that a trade as a whole can earn as an absolute minimum its full peacetime profits. The vast majority will, of course, continue to earn far more than that.

"We will also work out principles by which to determine the minimum point beyond which a margin of a wholesaler or retailer on a particular commodity will not be reduced by increases in his suppliers' prices."

The Emergency Court of Appeals handed down a decision last August upholding OPA's authority to require cost absorption at wholesale and retail when increases in prices at some level in the manufacturing stage may occasionally be required by law, Mr. Bowles pointed out. The court found that:

> "When such increases are prescribed, it is the duty of the Administrator so far as possible to require them to be absorbed at some appropriate intermediate stage in the process of production and distribution at which there may be an existing margin of profit reasonably satisfactory to absorb them."

Ability of Distributors to Absorb Increases

Mr. Bowles stated that gross dollar margins actually realized by most wholesale and retail trades have risen sharply during the war. These increased margins have been due to:

1. Fewer clearance sales and smaller mark-downs required to get rid of less desirable merchandise.

2. Percentage mark-ups added to higher prices; resulting either from some price increases permitted by OPA, or a shift to higher-priced lines.

The results have been that the dollar rise in average prices paid by consumers exceeds that of prices paid by wholesalers and retailers. Profit margins have also risen—sharply in most trades—because realized dollar gross margins have increased more than operating expenses.

These figures and other data, Mr. Bowles continued, indicate that most wholesale and retail trades are enjoying increased sales, higher realized margins, reduced expenses in relation to sales and greater profits.

"Clearly, many trades have acquired cushions to withstand the impact of increases in manufacturers' prices when required by our pricing standards," the Administrator said. "Hence, corresponding increases in prices to consumers are not always needed. Thus, wholesalers and retailers are in a position to aid the stabilization program by absorbing increases in costs where possible and reasonable, according to standards similar to those applied to manufacturers."

Proposed Standards Discussed

In working out refined standards of cost absorption for the distributive trades, OPA officials attending the meeting pointed out that the main difficulty is not to meet the earnings test but to find a method of equitably measuring minimum margins beyond which increases in suppliers' prices for one commodity or group of commodities will not be permitted to reduce margins of the distributive trades. This is true, they said, since cost accounting techniques for the distributive trades have not been developed, or records obtainable, to an extent comparable to those of manufacturing industries. At the meeting OPA officials presented some alternate ways of solving this problem and urged distributors to make their own recommendations.

OPA indicated that it proposed to divide absorption of increases in manufacturers' prices, where necessary, between wholesalers and retailers and presented several methods of measuring amounts each group should be asked to absorb. It was pointed out that, of course, neither wholesalers nor retailers would be asked to absorb cost increases to an extent that margins would be reduced below minimum "fair and equitable" levels.

H. S. Hensel Sworn in as Ass't Navy Secretary

H. Struve Hensel, New York attorney, who was nominated by President Roosevelt on Jan. 22 to become Assistant Secretary of the Navy under James A. Forrestal, was sworn in on Jan. 31 by Rear-Admiral Thomas L. Gatch, Judge Advocate General. The nomination had been confirmed by the Senate on Jan. 29.

Washington advices from the N. Y. "Times" reported that Mr. Hensel practiced law in New York City from 1925 to 1941, when he joined the Navy Department and later become its general counsel, in which position he will be succeeded by W. John Kennedy, of Los Angeles, who has served as Assistant General Counsel and as Chairman of the Navy's Price Adjustment Board. It was also noted in the "Times" that Mr. Hensel will fill a post that has been vacant since Ralph Bard moved up to become Under-Secretary when James Forrestal succeeded the late Frank Knox. Mr. Hensel, it is said, will take over procurement and production problems.

Mutual Funds

Investment Company Advertising

A number of Good, informative advertisements concerning the nature and purpose of investment company shares have appeared recently in leading newspapers and trade publications. Notable among these advertisements was one by **The Parker Corp.** entitled "A Few Words to the 'New' Investor." An equally intriguing ad, "The Open-End Investment Company—What It Is—What It Does," was published by **Hugh W. Long & Co.** A third and larger ad, "Financial Questionnaire for 1945," was published by **Lord, Abbett.**

We are firm believers in the need for and value of this type of "educational" advertising in the investment company field. There can be no doubt that mutual investment companies will some day occupy a position in our national economy comparable to that presently enjoyed by mutual savings banks and mutual life insurance companies. One of the first steps in achieving this status will be to establish clearly and accurately in the public mind just what mutual investment companies are and what they do.

1944 Sales

The National Association of Investment Companies reports that gross sales of the 67 open-end member funds during 1944 totaled $169,228,000. Net sales, after repurchases, amounted to $98,413,000.

Distributors Group, in a letter to dealers, compares these figures for the industry with the sales of **Group Securities, Inc.,** and reports that, "During 1944 gross sales for the industry increased 47% over 1943, as compared with an increase of 116% for Group Securities, Inc." Stated in percentages, Group Securities accounted for 14.31% of the industry's gross sales and 17.78% of its net sales.

Keystone Custodian Funds

As of Jan. 31 the combined assets of the 10 **Keystone Funds** stood at a new high total of $110 million, representing a gain of roughly $39 million from the total a year earlier.

Net assets of **Keystone Series B-1** on Dec. 31, 1944, amounted to $3,030,264, as compared with $2,237,383 at the close of 1943. **Keystone Series K-2** had net assets of $3,461,527 at the year-end, compared with $1,265,503 a year earlier.

Lord-Abbet Funds

The **Lord-Abbett** group of investing companies reported total assets of $63,197,017 at the end of 1944. The largest, **American Business Shares** with assets of $31,845,288, increased from $4,460,629 a year earlier, principally due to taking over the assets of **Quarterly Income Shares** and **Maryland Fund** during the period. **Affiliated Fund** had $25,036,174 at the year-end, compared with $22,368,908 a year earlier, including $10,000,000 of prior obligations at each date. **Union Trusteed Funds** had $6,315,554.36, compared with $3,296,598.48 a year earlier.

Fundamental Investors

From the Annual Report: "The year marked a continuation in the growth of the company. Net assets rose from $9,700,000 at the beginning of the year to $12,400,000 at the close. Shares outstanding increased 38,736, or 8.4%. The per share asset value increased from $20.89 at the beginning of the year to $24.73 at the close, an advance of 18.4%."

General Investors Trust

The Trustees of **General Investors Trust** report net asset value on Dec. 31, 1944, at $2,131,529, equivalent to $5.65 per share on the 377,133 shares then outstanding. This constitutes an increase of 12% from $5.04 per share on the 389,737 shares outstanding at the close of 1943.

American Foreign Investing Corp.

In the Annual Report to shareholders, Robert S. Byfield, President of **American Foreign Investing Corp.** lists per share year-end asset values and annual dividend payments of the fund for the last five years. In 1944 **AFI** paid a total of $2.50 per share in dividends as compared with $1.75 in 1943, $.60 in 1942 and $.40 in 1941.

Accompanying the mailing of this report to dealers was a reprint of Barron's Quarterly Investment Company review. This study reveals that **AFI's** long-term performance record (Dec. 31, 1938, to Dec. 31, 1944), with a net

(Conitnued on page 641)

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The Recent International Civil Aviation Conference

(Continued from first page)

sphere problems only. It was modeled in large part on the Paris Convention except that no permanent commission was set up and no minimum technical requirements were laid down. In fact, one signatory State sometimes refused to accept a certificate of airworthiness issued by another. Freedom of innocent passage for commercial planes appeared to be accepted but was not observed in practice. When the recent Chicago Convention is ratified and goes into effect, its provisions will supersede all those of the above two conferences.

While some highly important contributions to international civil aviation were made by the Chicago gathering, its achievements fell far short of what had been expected. It drew up a plan for an International Civil Aviation Organization with powers to recommend only; it presented a lengthy report on technical matters which should result in common signals and traffic rules throughout the world, and it defined freedoms of the air and clarified differences of opinion about them but failed to harmonize these conflicting views. Commercial air lines must still untangle a mass of red tape before setting up foreign services in many parts of the world. This was the reason the Conference was such a disappointment.

Reasons for Sudden Calling of Conference

A successful international conference is often but a dramatic climax to careful preliminary negotiations with the outcome a foregone conclusion. For over a year Assistant Secretary of State, Adolf Berle, Jr., discussed the future rules of international civil aviation with Britain's Lord Beaverbrook. The two seemed reasonably in accord and there was every expectation that eventually agreements would be reached. Suddenly in September, time seemed to be running out and some sort of an immediate agreement was most essential. Allied armies were chasing the Germans in headlong flight across France and it was widely prophesied that the war in Europe would soon be over. In the period of reconstruction and trade development to follow air transportation would be of growing importance. The antiquated rules under which international civil aviation had operated before 1939 obviously had to be streamlined, or the growth of air transportation would be tragically stunted.

There were other reasons for speeding up the holding of an air conference although not all of them are yet clear. It was to American interest that the Conference be held while we were still doling out lend-lease money in large gobs. At least the experience of the Conference indicated that smaller nations were inclined to let Santa Claus have whatever he wanted within reason. Likewise there are hints that our commercial air lines with overseas ambitions were beginning to bring pressure on the Government to clear the way for their post-war development. Foreign areas were being liberated and our airplane production had reached the point where overseas transport planes could be made available for commercial use.

Nations Attending

The State Department invited 55 nations to attend, of whom 52 sent voting delegates and two more sent observers. Present were delegations from six parts of the British Empire, each one with the same voting strength as ourselves, from all the Latin American nations but Argentina, from the Philippines, and from such neutral nations as Spain, Portugal, Switzerland and Sweden. Most conspicuous for its absence was Russia, which gave a last minute excuse that "pro-Fascist" powers had been invited. There were others besides Russia who wondered why "slacker" neutrals were permitted to attend what was frequently referred to as the civilian aviation branch of the peace conference. However, this was probably not Russia's real reason for staying away. What it was is not clear. Possibly it was her reluctance to grant planes of other nations the right to fly over her territory during the period of post-war reconstruction. Since Russia occupies one-seventh of the earth's land surface, much of it surrounding the North Pole and hence blocking some of the direct air routes of the future, her abstention was more of a blow to the Conference than was generally admitted. With Russia out, the Big Three or ABC powers of the Convention were literally America, Britain and Canada. Altogether, the Conference was attended by 185 delegates, 156 advisers and consultants, 332 secretaries and stenographers and 124 military police. The scene of this very considerable gathering was the Hotel Stevens, reputed to be the largest hotel in the world.

Principal Personalities

The United States sent ten delegates to the Conference. At their head was Adolf Berle, Jr., an original brain truster and Assistant Secretary of State, but incidentally, not among the battery of secretaries recently appointed for the fourth term. Berle matriculated at Harvard at the age of 14, speaks several languages, affects the diplomatic mannerisms of George Arliss' Disraeli and is known to intimates as "The Brain." Berle proved himself an able negotiator and earned the respect of many American Airline magnates. Other American delegates were William A. Burden, Assistant Secretary of Commerce for Air; L. Welch Pogue, Chairman of the Civil Aeronautics Board, and Edward Warner, Vice-Chairman, all of them suitable selections. Then there were four Congressmen with appropriate committee backgrounds. Most prominent of these was Senator Brewster, of Maine, who participated in the famous Senatorial junket around the world in 1943. Their appointments may not have been such a help at the Conference but may be very important when treaties or agreements have to be approved. And last, there were Fiorello LaGuardia, ubiquitous Mayor of New York, and Rear Admiral Richard E. Byrd, the explorer, who apparently did not even want to come. It would seem that the places of these two might better have been filled by some prominent air executives, such as Juan Trippe, whose combined business and diplomatic ability has carried Pan American Airways into all corners of South America in the last decade, or W. A. Patterson, President of United Air Lines. American big business in the air was unrepresented.

Great Britain at the last minute decided not to send Lord Beaverbrook and his chief technical adviser, but appointed in their stead Lord Swinton and other advisers. Lord Swinton is Britain's newly created Minister of Civil Aviation and ace trouble shooter. Canada sent C. D. Howe, Minister of Reconstruction and Transport, able industrial engineer and famed go-getter, and also H. J. Symington, President of Trans-Canada Air Lines. The Union of South Africa appointed John Martin, perhaps the outstanding business executive in that part of the world and adviser of Jan Smuts, the Dominion's Prime Minister. It has appeared to some that the British Empire chose men of higher calibre than we did. However, the six delegations of the Empire did not hold together throughout the Conference. France was a better ally than some of England's own Dominions. Canada maintained a middle ground between the United States and Britain and essayed the role of the compromiser.

"Closed Sky" Principle Antiquated

Once the "closed sky" principles prevailing before the war are understood and it is realized that these rules would go into effect again automatically when the war ends, the need for a conference of nations to remodel this antiquated system becomes apparent. Under it, if Canada wanted to establish an international air route overland to Peru, she would have to obtain the consent of all the nations over whose territories her planes would have to fly. Oliver T. Lissitzen in his standard work, *International Air Transport and National Policy*, described the old method thus: "Routes which are technically feasible and commercially promising . . . remained unopened. . . . Small but favorably situated countries . . . exacted conditions for the grant of landing rights . . . financially burdensome to the foreign carriers involved. . . . Turkey barred all foreign air lines from passing over it in an east-west direction, primarily for military reasons and, as a result, European services to Southern Asia were deprived of the use of the shortest route. Turkey's attitude redounded to the advantage of Greece, which, it was reported, required all foreign air liners passing over its territory to land at Athens and to coordinate their schedules with those of the internal Greek services."

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During the last five years peacetime rules governing air routes and the persons eligible to fly those routes have been largely suspended in the interest of getting supplies to the various fronts as quickly as possible. People have become air-minded to an astounding degree; millions have learned to fly, tens of thousands have piloted huge planes across oceans and continents, the public has become used to the idea of traveling from Europe to America in a day or from Asia to America in a few days. A soldier on leave in the South Pacific war theater recently hitch-hiked home to see his family and got back to the front again without being A. W. O. L. The world has seemingly shrunk to a fraction of its former size. At the war's end, we do not want to return to a set of rules that would bar us from important trade routes, nor be prevented from using airfields which American money has built, and forced to dicker endlessly with every nation over which, or into which, our planes would like to fly.

The Five Freedoms

On the other hand, some orderly rules had to be set up to guide and regulate international civil aviation. A condition of complete laissez-faire was out of the question. Governments desired air travel routed so that tariff and immigration laws could still be economically enforced and the spread of diseases from remote parts of the world prevented as far as possible. To determine the extent of air freedoms each nation was ready to allow, the Conference set up five so-called "freedoms of the air," which are as follows:

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American and British Viewpoints

The opening of the Conference found the United States and Great Britain with diametrically opposed viewpoints. The United States wanted all five freedoms accepted by multilateral agreement, and virtually free competition, while Great Britain desired a pooling or cartelization of the world's air transportation. Each had good reasons for its views and each had the support of some other nations. As one reporter described the situation, the United States considered the air transportation pie big enough to feed everyone, while Great Britain felt the pie should be carefully divided.

To the United States, international air transportation is a rich prize which we have an excellent chance of winning since we have a head start in the race. We shall have a vast fleet of transport planes: indeed a few have already been made available by the Surplus Property Board. During the war Great Britain concentrated on the manufacture of fighter planes leaving to us the responsibility of producing transport planes. We also have a host of pilots who are acquainted with air routes everywhere. Both our fliers and our commercial aviation companies have a keen desire to carry passengers and freight to all parts of the world. At the war's end we shall be able to provide air service cheaper than anyone else. Consequently we want competition with a minimum of hampering restrictions.

Great Britain feels it is desperately urgent that she have a large portion of the post-war air transportation business. As soon as the Conference opened she demanded a 50-50 share of the traffic on the North Atlantic run although 80% of that traffic normally originated or terminated with us. She wanted a world organization like our Civil Aeronautics Board to assign routes and fix traffic quotas. The reasons for this attitude are not hard to find. During the years before the war her imports exceeded her exports by from one to two billion dollars.

This sizable import balance was paid for largely by the returns on capital Britain has loaned abroad and by payments for shipping services. Great Britain used to own over a quarter of the world's ocean tonnage. During the war Britain has virtually mortgaged a large part of her overseas investments. She owes three billions of dollars to India. A considerable portion of her Merchant Marine has been sunk or rendered obsolete and the remainder is bound to have keen competition from a greatly enlarged American Merchant Marine. Her famous luxury liners may never again provide first class transportation because airplanes will be handling that assignment. Moreover, since planes make the crossing more rapidly, hence more frequently, comparatively few will be necessary. One authority has estimated that 30 to 50 passenger planes could carry as many persons on the North Atlantic run to Great Britain as were carried by all first class steamers in an average year between 1928 and 1938. Thus, if Britain is to continue to import as much as she formerly did, thereby maintaining her standard of living at a high level, and if she is to pay her debts, she must insure herself of the means. She rightly regards a large air fleet as important to her in the future as a merchant fleet was in the past.

BALANCE OF INTERNATIONAL PAYMENTS OF UNITED KINGDOM

Date—	Excess of Merchandise Imports	Net National Shipping Income	Returns from Investments	Other Income
1913	£145,000,000	£94,000,000	£210,000,000	£35,000,000
1924	363,000,000	140,000,000	220,000,000	75,000,000
1929	381,000,000	130,000,000	250,000,000	104,000,000
1931	408,000,000	80,000,000	170,000,000	54,000,000
1933	265,000,000	65,000,000	160,000,000	40,000,000
1934	294,000,000	70,000,000	170,000,000	47,000,000
1935	263,000,000	70,000,000	185,000,000	40,000,000
1936	348,000,000	85,000,000	205,000,000	40,000,000
1937	447,000,000	130,000,000	220,000,000	45,000,000

Gold shipments omitted, House of Commons Sessional Paps. Vol. 25, 1938-39, p. 438.

Britain's far-flung Empire enables her to support her viewpoint with considerable strength. She is in an excellent position to map out and control routes to nearly every portion of the globe without having to ask of other nations more than the right to land at the terminal airport. Few countries have the island possessions to compete with her in this regard. And for other reasons, her bargaining position *vis-a-vis* most nations of the world is strong enough to obtain many concessions. At the air Conference she had the backing of France, who, like Britain, does not want to see this country get a head start, and of Australia and New Zealand.

Parenthetically, it might be asked which is the better policy, the English one of pooling or the American one of competition. Obviously, each has its merits. A decision is not easy to make.

It may be argued in favor of the English system that it is the policy we have adopted for aviation within our own country after experimentation with competition. The Civil Aeronautics Board assigns routes and fixes rates just as the English wanted the ICAO to do. After early years of jungle warfare between competing companies this was found to be the more satisfactory system, producing better and safer service. Incidentally, the history of railroading points much the same moral. Despite all the talk of competition being the American way, it really is not in the field of civil aviation.

A second argument for pooling is that it will reduce international rivalries and bitterness in one field—enough of such economic conflicts produce wars—and lessen the chances of a subsidy race. Nations will tend to subsidize their air services for military reasons, for prestige purposes and to further their foreign trade. In most of the world's leading nations, a larger percentage of the national income is derived from foreign trade than is the case with the United States. Hence, the furtherance of foreign trade seems urgent to their governments and they would subsidize their air lines in order to advertize their nation and its merchandise. A subsidy race would ensue. Of course we too could subsidize and probably lead in the race if we wished, but, judged by our past behavior in the analogous field of ocean shipping, we are not inclined to be generous with subsidies. Compare our modestly subsidized pre-war Merchant Marine with the heavily subsidized luxury liners of Great Britain, France, Italy and Germany. Furthermore, look at the history of our Merchant Marine during the past century. In the 1820's we carried about 90% of our foreign trade in our own ships; by 1900 we carried only 9%. The decline was steady. Before the Civil War it was chiefly owing to our failure to build iron vessels with steam engines, but later a principal reason was our inability to compete with heavily subsidized foreign lines and the unwillingness of our Government to provide adequate subsidies. Thus it might be wiser to accept quotas for international civil aviation to begin with and avoid, so far as possible, competition that is likely to end in subsidy races in which in the past we have been bested.

However, it may be argued in favor of the American policy of competition that it is what England adopted as her general foreign trade policy in the 1850's when she had an industrial supremacy somewhat similar to our present aviation supremacy. She maintained that policy until about a decade ago when she finally changed to a system of high tariffs. Thus both Britain and the United States are preaching economic policies for their international civil aviation that are inconsistent with their past practices. But perhaps that fact is more interesting than it is persuasive.

A stronger argument for competition is the well known economic one that it is most likely to produce the best service at the lowest price. That is how economic progress is made. Government chosen and regulated monopolies have less incentive to improve their methods and lower their fares. We should consider very carefully whether we want international air service limited by quotas. Similar international schemes for pooling the production and marketing of sugar, rubber, tin and copper have been tried and been severely criticized. So has our own AAA program which is somewhat analogous.

The Escalator Clause Compromise Nearly Succeeds

Canada early assumed the role of compromisor between the mother country and the United States by proposing what was known as the "escalator" clause. This required the United States to agree to the establishment of quotas at the outset on major air routes. For example, we would begin by sharing the North Atlantic run on a 50-50 basis with Britain, thus preserving her prestige in world economic affairs. But the "escalator" idea also required Great Britain to concede that if her planes consistently did less business than ours—if theirs operated below 65% of capacity and ours carried more than that—then her quota would be periodically reduced and ours increased. This would never be carried to the point of her complete elimination, however. Both the British and Americans accepted this working compromise and began dickering over the amount of the quotas on various world air routes. Our own commercial aviation company heads complained that Berle had needlessly sacrificed a strong position. However, Berle felt that a general agreement was more important for world peace and progress than exploitation of our momentary advantage. At least he felt that way to a certain extent, but, as will be seen, there was a limit beyond which he would not go.

The "escalator" clause idea came very close to reconciling the American and British views and making the air Conference an outstanding success. But at the last moment the delegates failed to agree on their interpretation of the fifth freedom as it applied to the "escalator" clause. The fifth freedom, it will be recalled, was the freedom to pick up and deliver traffic at intermediate points along world air routes. For example, on an air route from New York to Warsaw via London and Amsterdam, we would be permitted to deliver an American cargo in London, pick up an English one there and deliver it in Amsterdam and pick up a Dutch cargo and deliver it in Warsaw. Both sides agreed to that, but the English refused to let the intermediate tonnage be counted in determining quota changes under the "escalator" clause. To illustrate, the British maintained that if our share of the New York to Warsaw traffic was 50%, it could be increased only if our planes were consistently "full" of cargoes loaded in New York and not unloaded until the planes reached Warsaw. We could not increase our quotas merely because our planes were loaded between New York and London, then emptied and reloaded for Amsterdam, emptied again and reloaded for Warsaw. We insisted that these intermediate cargoes should be counted. The English countered that to do that would give us a great advantage over the small nations who would gradually be squeezed out of the short haul business. Britain's attempt to line the small nations up on her side did not succeed, for they seemed more interested in obtaining early and adequate air transportation than in who provided it. Most of them wanted the Canadian compromise with the United States' interpretation of the fifth freedom. The English complained that our introduction and interpretation of the fifth freedom was a last minute thought and we replied that their refusal to accept it was a last minute change of mind. Feelings, though kept under control, were bitter.

When it became apparent that the English delegation would make no further concessions on the fifth freedom, Berle and his delegation dramatically announced their complete abandonment of the quota idea and the "escalator" clause compromise and their return to the original American contention that international civil aviation should be on a free and competitive basis. For this Berle was enthusiastically applauded by American air transport company heads who felt sure that our share would be larger without quotas. They also thought that the appointment of one chosen company to operate each route would be less likely to occur. Since the chosen instrument policy would prevent most of them from participating in overseas transportation, they opposed any world policy likely to cause its adoption here.

What We Salvaged

In order to salvage as much as possible from the now half wrecked Conference it was proposed that two sets of freedoms be drawn up to which as many as wished might adhere. One list contained only the first two freedoms; the other included all five freedoms. Our refusal to be bound by quotas necessitated the lumping together of the last three freedoms. By mid-December, 22 delegations had agreed to grant the first two freedoms and as many more were expected to adhere later, while by mid-January 19 were willing to grant five freedoms. However, when Britain granted two freedoms, she at first excluded the right to land for refueling in Newfoundland which is a rather vital stopping place on the shortest route to most of Europe. Of the 19 nations signing the five freedoms pact, practically all were our Latin American neighbors: the only European nation was Sweden. Nations agreeing to the five freedoms were in some cases keenly interested in those agreeing to two freedoms, for that might open up more direct air routes. Flying over such nations would be permissible even though pick-ups and deliveries were barred.

The question naturally arises of how much better off we are now than we were under the old "closed sky" rules. The answer is that five freedoms of the air will prevail in many parts of North and South America. Special permission will no longer be necessary to fly over, or land for refueling in, a number of European nations which have agreed to two freedoms. The way is open to increase the number of nations in both categories and undoubtedly more countries will take advantage of the opportunity as time goes on. But in most cases permission to enter by the air or fly over nations can only be obtained as a result of diplomatic negotiation. We may expect a great buzz of negotiating of bilateral agreements in the next few months. We have already arranged for trans-Atlantic air service to Spain, Sweden and Iceland, using bilateral agreements. Other similar agreements will doubtless follow, for we are in a strong position to obtain concessions, probably in a stronger position now than is Britain.

Other Accomplishments of the Conference

It is very possible that the Chicago Conference will be remembered for other achievements than defining and attempting to inaugurate the five freedoms. If the home governments approve the 95 articles of the document known as the Convention of International Civil Aviation which the delegates approved, much will have been accomplished. The Convention provides that landing and airport lights, radio signals, aircraft markings shall be standardized. It permits foreign aircraft not making scheduled stops to fly into or over any signatory's territory and make stops for noncommercial purposes without securing prior permission. In other words, the way is wide open for tourist flying. However, international aircraft must carry radio transmitters, certificates of registration and airworthiness and a log book. The Convention provided also for the establishment of a world organization known as the International Civil Aviation Organization, already called ICAO, which will tie in with the Dumbarton Oaks proposal for a General International Organization (see Chapter V, Sec. B, No. 7 of GIO). This ICAO is to have an assembly in which all participating nations will be represented and a council of 21. A seat on the council is being saved for Russia. ICAO does not have power to fix rates, establish routes or determine quotas; it may only give advice and make recommendations. However, it may suspend a member by two-thirds vote for violating the Convention. If 26 nations signify their adherence to ICAO, it will go into effect after the war. During the period between the war's end and the adoption of ICAO, an interim organization with similar powers may be set up if enough nations agree.

Air Conference One of Several Recent Disappointments

In the light of the above, it can hardly be said that the Conference was still-born but it was a disappointment. Because of what it failed to accomplish, international civil aviation's growth in the next few years will undoubtedly be less rapid than it might have been. Ominous are the facts that Russia refused to attend, Great Britain and the United States held widely opposite views and just a little more concession might have produced a reconciliation of those views. Set these alongside the recent bickerings over petroleum, copper and cocoa and add the apparent international rivalries in Poland, Italy and Greece and the outlook becomes dismal indeed. No wonder the Germans still hope for a split between the Big Three and a negotiated peace. Yet so long as no one loses his head, we can, and it is to be hoped, we shall find a solution to most of these problems. Another air Conference, adequately prepared for this time, might be a good beginning.

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Canadian Securities

By BRUCE WILLIAMS

The direction of the "straw in the wind" represented by the Grey North by-election result can now be analyzed. On the surface a significant Progressive-Conservative gain has been registered. But on closer observation we find that the successful candidate is a former local Mayor in a rural community who, in the 1940 Federal election, ran as an Independent Liberal. Furthermore, Ontario is the last Conservative stronghold.

The poor showing of the C. C. F. which although represented by a solid personality in the form of an Air Vice-Marshall, only goes to confirm the waning trend of this movement which possibly reached its zenith following the striking C. C. F. successes in the last Ontario election.

As a pointer, therefore, to the trend in the forthcoming Federal election, this result is not of paramount importance. On the other hand, it can have a decided bearing on the timing of the call to the country. The probability of any deferment within the scope of established parliamentary procedure now seems ruled out and an early announcement of a definite date can be expected.

As a matter of conjecture, it would appear that the period immediately following the next Victory Loan in May could very well have favorable consideration.

In view of the imminence of political events of a possibly critical nature, the continued unruffled calm and strength of the security markets is perhaps somewhat surprising. However, as already pointed out, other factors for the moment are strongly predominant.

In the first place, the current accentuation of the downward trend of the interest curve is having a powerful effect on all bond prices. This influence is supplemented in the case of Canadian external securities by an increasing shortage of supply from Canada.

In aggravation of this situation, the demand in this country is growing, and for the first time since the outbreak of war in Europe, commercial banks are ready purchasers of high grade Canadian bonds. Furthermore, there are few replacements of maturing and called issues, and in accordance with the policy established since

(Continued on page 640)

Thomson & Co. Opens Branch in Toronto

TORONTO, ONT., CANADA—Thomson & Co., members of the Montreal Stock and Curb Exchange, and Toronto Stock Exchange, will open a branch office in Toronto at 38 King Street West, as of March 1. Col. Carson McCormack, who will acquire the Toronto Exchange membership of Henry H. Rath, a partner in the firm, and Andrew J. Davis will be admitted to partnership.

The firm's main office is located at 355 St. James Street, West, Montreal.

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The Recent International Civil Aviation Conference

(Continued from first page)

sphere problems only. It was modeled in large part on the Paris Convention except that no permanent commission was set up and no minimum technical requirements were laid down. In fact, one signatory State sometimes refused to accept a certificate of airworthiness issued by another. Freedom of innocent passage for commercial planes appeared to be accepted but was not observed in practice. When the recent Chicago Convention is ratified and goes into effect, its provisions will supersede all those of the above two conferences.

While some highly important contributions to international civil aviation were made by the Chicago gathering, its achievements fell far short of what had been expected. It drew up a plan for an International Civil Aviation Organization with powers to recommend only; it presented a lengthy report on technical matters which should result in common signals and traffic rules throughout the world, and it defined freedoms of the air and clarified differences of opinion about them but failed to harmonize these conflicting views. Commercial air lines must still untangle a mass of red tape before setting up foreign services in many parts of the world. This was the reason the Conference was such a disappointment.

Reasons for Sudden Calling of Conference

A successful international conference is often but a dramatic climax to careful preliminary negotiations with the outcome a foregone conclusion. For over a year Assistant Secretary of State, Adolf Berle, Jr., discussed the future rules of international civil aviation with Britain's Lord Beaverbrook. The two seemed reasonably in accord and there was every expectation that eventually agreements would be reached. Suddenly in September, time seemed to be running out and some sort of an immediate agreement was most essential. Allied armies were chasing the Germans in headlong flight across France and it was widely prophesied that the war in Europe would soon be over. In the period of reconstruction and trade development to follow air transportation would be of growing importance. The antiquated rules under which international civil aviation had operated before 1939 obviously had to be streamlined, or the growth of air transportation would be tragically stunted.

There were other reasons for speeding up the holding of an air conference although not all of them are yet clear. It was to American interest that the Conference be held while we were still doling out lend-lease money in large gobs. At least the experience of the Conference indicated that smaller nations were inclined to let Santa Claus have whatever he wanted within reason. Likewise there are hints that our commercial air lines with overseas ambitions were beginning to bring pressure on the Government to clear the way for their post-war development. Foreign areas were being liberated and our airplane production had reached the point where overseas transport planes could be made available for commercial use.

Nations Attending

The State Department invited 55 nations to attend, of whom 52 sent voting delegates and two more sent observers. Present were delegations from six parts of the British Empire, each one with the same voting strength as ourselves, from all the Latin American nations but Argentina, from the Philippines, and from such neutral nations as Spain, Portugal, Switzerland and Sweden. Most conspicuous for its absence was Russia, which gave a last minute excuse that "pro-Fascist" powers had been invited. There were others besides Russia who wondered why "slacker" neutrals were permitted to attend what was frequently referred to as the civilian aviation branch of the peace conference. However, this was probably not Russia's real reason for staying away. What it was is not clear. Possibly it was her reluctance to grant planes of other nations the right to fly over her territory during the period of post-war reconstruction. Since Russia occupies one-seventh of the earth's land surface, much of it surrounding the North Pole and hence blocking some of the direct air routes of the future, her abstention was more of a blow to the Conference than was generally admitted. With Russia out, the Big Three or ABC powers of the Convention were literally America, Britain and Canada. Altogether, the Conference was attended by 185 delegates, 156 advisers and consultants, 332 secretaries and stenographers and 124 military police. The scene of this very considerable gathering was the Hotel Stevens, reputed to be the largest hotel in the world.

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The United States sent ten delegates to the Conference. At their head was Adolf Berle, Jr., an original brain truster and Assistant Secretary of State, but incidentally, not among the battery of secretaries recently appointed for the fourth term. Berle matriculated at Harvard at the age of 14, speaks several languages, affects the diplomatic mannerisms of George Arliss' Disraeli and is known to intimates as "The Brain." Berle proved himself an able negotiator and earned the respect of many American Airline magnates. Other American delegates were William A. Burden, Assistant Secretary of Commerce for Air; L. Welch Pogue, Chairman of the Civil Aeronautics Board, and Edward Warner, Vice-Chairman, all of them suitable selections. Then there were four Congressmen with appropriate committee backgrounds. Most prominent of these was Senator Brewster, of Maine, who participated in the famous Senatorial junket around the world in 1943. Their appointments may not have been such a help at the Conference but may be very important when treaties or agreements have to be approved. And last, there were Fiorello LaGuardia, ubiquitous Mayor of New York, and Rear Admiral Richard E. Byrd, the explorer, who apparently did not even want to come. It would seem that the places of these two might better have been filled by some prominent air executives, such as Juan Trippe, whose combined business and diplomatic ability has carried Pan American Airways into all corners of South America in the last decade, or W. A. Patterson, President of United Air Lines. American big business in the air was unrepresented.

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The opening of the Conference found the United States and Great Britain with diametrically opposed viewpoints. The United States wanted all five freedoms accepted by multilateral agreement, and virtually free competition, while Great Britain desired a pooling or cartelization of the world's air transportation. Each had good reasons for its views and each had the support of some other nations. As one reporter described the situation, the United States considered the air transportation pie big enough to feed everyone, while Great Britain felt the pie should be carefully divided.

To the United States, international air transportation is a rich prize which we have an excellent chance of winning since we have a head start in the race. We shall have a vast fleet of transport planes: indeed a few have already been made available by the Surplus Property Board. During the war Great Britain concentrated on the manufacture of fighter planes leaving to us the responsibility of producing transport planes. We also have a host of pilots who are acquainted with air routes everywhere. Both our fliers and our commercial aviation companies have a keen desire to carry passengers and freight to all parts of the world. At the war's end we shall be able to provide air service cheaper than anyone else. Consequently we want competition with a minimum of hampering restrictions.

Great Britain feels it is desperately urgent that she have a large portion of the post-war air transportation business. As soon as the Conference opened she demanded a 50-50 share of the traffic on the North Atlantic run although 80% of that traffic normally originated or terminated with us. She wanted a world organization like our Civil Aeronautics Board to assign routes and fix traffic quotas. The reasons for this attitude are not hard to find. During the years before the war her imports exceeded her exports by from one to two billion dollars.

This sizable import balance was paid for largely by the returns on capital Britain has loaned abroad and by payments for shipping services. Great Britain used to own over a quarter of the world's ocean tonnage. During the war Britain has virtually mortgaged a large part of her overseas investments. She owes three billions of dollars to India. A considerable portion of her Merchant Marine has been sunk or rendered obsolete and the remainder is bound to have keen competition from a greatly enlarged American Merchant Marine. Her famous luxury liners may never again provide first class transportation because airplanes will be handling that assignment. Moreover, since planes make the crossing more rapidly, hence more frequently, comparatively few will be necessary. One authority has estimated that 30 to 50 passenger planes could carry as many persons on the North Atlantic run to Great Britain as were carried by all first class steamers in an average year between 1928 and 1938. Thus, if Britain is to continue to import as much as she formerly did, thereby maintaining her standard of living at a high level, and if she is to pay her debts, she must insure herself of the means. She rightly regards a large air fleet as important to her in the future as a merchant fleet was in the past.

BALANCE OF INTERNATIONAL PAYMENTS OF UNITED KINGDOM

Date—	Excess of Merchandise Imports	Net National Shipping Income	Returns from Investments	Other Income
1913	£145,000,000	£94,000,000	£210,000,000	£35,000,000
1924	363,000,000	140,000,000	220,000,000	75,000,000
1929	381,000,000	130,000,000	250,000,000	104,000,000
1931	408,000,000	80,000,000	170,000,000	54,000,000
1933	265,000,000	65,000,000	160,000,000	40,000,000
1934	294,000,000	70,000,000	170,000,000	47,000,000
1935	263,000,000	70,000,000	185,000,000	40,000,000
1936	348,000,000	85,000,000	205,000,000	40,000,000
1937	447,000,000	130,000,000	220,000,000	45,000,000

Gold shipments omitted, House of Commons Sessional Paps. Vol. 25, 1938-39, p. 438.

Britain's far-flung Empire enables her to support her viewpoint with considerable strength. She is in an excellent position to map out and control routes to nearly every portion of the globe without having to ask of other nations more than the right to land at the terminal airport. Few countries have the island possessions to compete with her in this regard. And for other reasons, her bargaining position *vis-a-vis* most nations of the world is strong enough to obtain many concessions. At the air Conference she had the backing of France, who, like Britain, does not want to see this country get a head start, and of Australia and New Zealand.

Parenthetically, it might be asked which is the better policy, the English one of pooling or the American one of competition. Obviously, each has its merits. A decision is not easy to make.

It may be argued in favor of the English system that it is the policy we have adopted for aviation within our own country after experimentation with competition. The Civil Aeronautics Board assigns routes and fixes rates just as the English wanted the ICAO to do. After early years of jungle warfare between competing companies this was found to be the more satisfactory system, producing better and safer service. Incidentally, the history of railroading points much the same moral. Despite all the talk of competition being the American way, it really is not in the field of civil aviation.

A second argument for pooling is that it will reduce international rivalries and bitterness in one field—enough of such economic conflicts produce wars—and lessen the chances of a subsidy race. Nations will tend to subsidize their air services for military reasons, for prestige purposes and to further their foreign trade. In most of the world's leading nations, a larger percentage of the national income is derived from foreign trade than is the case with the United States. Hence, the furtherance of foreign trade seems urgent to their governments and they would subsidize their air lines in order to advertize their nation and its merchandise. A subsidy race would ensue. Of course we too could subsidize and probably lead in the race if we wished, but, judged by our past behavior in the analogous field of ocean shipping, we are not inclined to be generous with subsidies. Compare our modestly subsidized pre-war Merchant Marine with the heavily subsidized luxury liners of Great Britain, France, Italy and Germany. Furthermore, look at the history of our Merchant Marine during the past century. In the 1820's we carried about 90% of our foreign trade in our own ships; by 1900 we carried only 9%. The decline was steady. Before the Civil War it was chiefly owing to our failure to build iron vessels with steam engines, but later a principal reason was our inability to compete with heavily subsidized foreign lines and the unwillingness of our Government to provide adequate subsidies. Thus it might be wiser to accept quotas for international civil aviation to begin with and avoid, so far as possible, competition that is likely to end in subsidy races in which in the past we have been bested.

However, it may be argued in favor of the American policy of competition that it is what England adopted as her general foreign trade policy in the 1850's when she had an industrial supremacy somewhat similar to our present aviation supremacy. She maintained that policy until about a decade ago when she finally changed to a system of high tariffs. Thus both Britain and the United States are preaching economic policies for their international civil aviation that are inconsistent with their past practices. But perhaps that fact is more interesting than it is persuasive.

A stronger argument for competition is the well known economic one that it is most likely to produce the best service at the lowest price. That is how economic progress is made. Government chosen and regulated monopolies have less incentive to improve their methods and lower their fares. We should consider very carefully whether we want international air service limited by quotas. Similar international schemes for pooling the production and marketing of sugar, rubber, tin and copper have been tried and been severely criticized. So has our own AAA program which is somewhat analogous.

The Escalator Clause Compromise Nearly Succeeds

Canada early assumed the role of compromisor between the mother country and the United States by proposing what was known as the "escalator" clause. This required the United States to agree to the establishment of quotas at the outset on major air routes. For example, we would begin by sharing the North Atlantic run on a 50-50 basis with Britain, thus preserving her prestige in world economic affairs. But the "escalator" idea also required Great Britain to concede that if her planes consistently did less business than ours—if theirs operated below 65% of capacity and ours carried more than that—then her quota would be periodically reduced and ours increased. This would never be carried to the point of her complete elimination, however. Both the British and Americans accepted this working compromise and began dickering over the amount of the quotas on various world air routes. Our own commercial aviation company heads complained that Berle had needlessly sacrificed a strong position. However, Berle felt that a general agreement was more important for world peace and progress than exploitation of our momentary advantage. At least he felt that way to a certain extent, but, as will be seen, there was a limit beyond which he would not go.

The "escalator" clause idea came very close to reconciling the American and British views and making the air Conference an outstanding success. But at the last moment the delegates failed to agree on their interpretation of the fifth freedom as it applied to the "escalator" clause. The fifth freedom, it will be recalled, was the freedom to pick up and deliver traffic at intermediate points along world air routes. For example, on an air route from New York to Warsaw via London and Amsterdam, we would be permitted to deliver an American cargo in London, pick up an English one there and deliver it in Amsterdam and pick up a Dutch cargo and deliver it in Warsaw. Both sides agreed to that, but the English refused to let the intermediate tonnage be counted in determining quota changes under the "escalator" clause. To illustrate, the British maintained that if our share of the New York to Warsaw traffic was 50%, it could be increased only if our planes were consistently "full" of cargoes loaded in New York and not unloaded until the planes reached Warsaw. We could not increase our quotas merely because our planes were loaded between New York and London, then emptied and reloaded for Amsterdam, emptied again and reloaded for Warsaw. We insisted that these intermediate cargoes should be counted. The English countered that to do that would give us a great advantage over the small nations who would gradually be squeezed out of the short haul business. Britain's attempt to line the small nations up on her side did not succeed, for they seemed more interested in obtaining early and adequate air transportation than in who provided it. Most of them wanted the Canadian compromise with the United States' interpretation of the fifth freedom. The English complained that our introduction and interpretation of the fifth freedom was a last minute thought and we replied that their refusal to accept it was a last minute change of mind. Feelings, though kept under control, were bitter.

When it became apparent that the English delegation would make no further concessions on the fifth freedom, Berle and his delegation dramatically announced their complete abandonment of the quota idea and the "escalator" clause compromise and their return to the original American contention that international civil aviation should be on a free and competitive basis. For this Berle was enthusiastically applauded by American air transport company heads who felt sure that our share would be larger without quotas. They also thought that the appointment of one chosen company to operate each route would be less likely to occur. Since the chosen instrument policy would prevent most of them from participating in overseas transportation, they opposed any world policy likely to cause its adoption here.

What We Salvaged

In order to salvage as much as possible from the now half wrecked Conference it was proposed that two sets of freedoms be drawn up to which as many as wished might adhere. One list contained only the first two freedoms; the other included all five freedoms. Our refusal to be bound by quotas necessitated the lumping together of the last three freedoms. By mid-December, 22 delegations had agreed to grant the first two freedoms and as many more were expected to adhere later, while by mid-January 19 were willing to grant five freedoms. However, when Britain granted two freedoms, she at first excluded the right to land for refueling in Newfoundland which is a rather vital stopping place on the shortest route to most of Europe. Of the 19 nations signing the five freedoms pact, practically all were our Latin American neighbors: the only European nation was Sweden. Nations agreeing to the five freedoms were in some cases keenly interested in those agreeing to two freedoms, for that might open up more direct air routes. Flying over such nations would be permissible even though pick-ups and deliveries were barred.

The question naturally arises of how much better off we are now than we were under the old "closed sky" rules. The answer is that five freedoms of the air will prevail in many parts of North and South America. Special permission will no longer be necessary to fly over, or land for refueling in, a number of European nations which have agreed to two freedoms. The way is open to increase the number of nations in both categories and undoubtedly more countries will take advantage of the opportunity as time goes on. But in most cases permission to enter by the air or fly over nations can only be obtained as a result of diplomatic negotiation. We may expect a great buzz of negotiating of bilateral agreements in the next few months. We have already arranged for trans-Atlantic air service to Spain, Sweden and Iceland, using bilateral agreements. Other similar agreements will doubtless follow, for we are in a strong position to obtain concessions, probably in a stronger position now than is Britain.

Other Accomplishments of the Conference

It is very possible that the Chicago Conference will be remembered for other achievements than defining and attempting to inaugurate the five freedoms. If the home governments approve the 95 articles of the document known as the Convention of International Civil Aviation which the delegates approved, much will have been accomplished. The Convention provides that landing and airport lights, radio signals, aircraft markings shall be standardized. It permits foreign aircraft not making scheduled stops to fly into or over any signatory's territory and make stops for noncommercial purposes without securing prior permission. In other words, the way is wide open for tourist flying. However, international aircraft must carry radio transmitters, certificates of registration and airworthiness and a log book. The Convention provided also for the establishment of a world organization known as the International Civil Aviation Organization, already called ICAO, which will tie in with the Dumbarton Oaks proposal for a General International Organization (see Chapter V, Sec. B, No. 7 of GIO). This ICAO is to have an assembly in which all participating nations will be represented and a council of 21. A seat on the council is being saved for Russia. ICAO does not have power to fix rates, establish routes or determine quotas; it may only give advice and make recommendations. However, it may suspend a member by two-thirds vote for violating the Convention. If 26 nations signify their adherence to ICAO, it will go into effect after the war. During the period between the war's end and the adoption of ICAO, an interim organization with similar powers may be set up if enough nations agree.

Air Conference One of Several Recent Disappointments

In the light of the above, it can hardly be said that the Conference was still-born but it was a disappointment. Because of what it failed to accomplish, international civil aviation's growth in the next few years will undoubtedly be less rapid than it might have been. Ominous are the facts that Russia refused to attend, Great Britain and the United States held widely opposite views and just a little more concession might have produced a reconciliation of those views. Set these alongside the recent bickerings over petroleum, copper and cocoa and add the apparent international rivalries in Poland, Italy and Greece and the outlook becomes dismal indeed. No wonder the Germans still hope for a split between the Big Three and a negotiated peace. Yet so long as no one loses his head, we can, and it is to be hoped, we shall find a solution to most of these problems. Another air Conference, adequately prepared for this time, might be a good beginning.

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Canadian Securities

By BRUCE WILLIAMS

The direction of the "straw in the wind" represented by the Grey North by-election result can now be analyzed. On the surface a significant Progressive-Conservative gain has been registered. But on closer observation we find that the successful candidate is a former local Mayor in a rural community who, in the 1940 Federal election, ran as an Independent Liberal. Furthermore, Ontario is the last Conservative stronghold.

The poor showing of the C. C. F. which although represented by a solid personality in the form of an Air Vice-Marshall, only goes to confirm the waning trend of this movement which possibly reached its zenith following the striking C. C. F. successes in the last Ontario election.

As a pointer, therefore, to the trend in the forthcoming Federal election, this result is not of paramount importance. On the other hand, it can have a decided bearing on the timing of the call to the country. The probability of any deferment within the scope of established parliamentary procedure now seems ruled out and an early announcement of a definite date can be expected.

As a matter of conjecture, it would appear that the period immediately following the next Victory Loan in May could very well have favorable consideration.

In view of the imminence of political events of a possibly critical nature, the continued unruffled calm and strength of the security markets is perhaps somewhat surprising. However, as already pointed out, other factors for the moment are strongly predominant.

In the first place, the current accentuation of the downward trend of the interest curve is having a powerful effect on all bond prices. This influence is supplemented in the case of Canadian external securities by an increasing shortage of supply from Canada.

In aggravation of this situation, the demand in this country is growing, and for the first time since the outbreak of war in Europe, commercial banks are ready purchasers of high grade Canadian bonds. Furthermore, there are few replacements of maturing and called issues, and in accordance with the policy established since

(Continued on page 640)

Thomson & Co. Opens Branch in Toronto

TORONTO, ONT., CANADA—Thomson & Co., members of the Montreal Stock and Curb Exchange, and Toronto Stock Exchange, will open a branch office in Toronto at 38 King Street West, as of March 1. Col. Carson McCormack, who will acquire the Toronto Exchange membership of Henry H. Rath, a partner in the firm, and Andrew J. Davis will be admitted to partnership.

The firm's main office is located at 355 St. James Street, West, Montreal.

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International Investment Position Of the United States

(Continued from page 619)

With respect to long-term investments only—which comprise the chief earning assets involved—the United States is still a substantial creditor, although its net holdings are much smaller than in former years. On either basis, whether measured by total assets or by long-term investments only, the United States is far from being, as sometimes supposed, the greatest creditor nation of all time by comparison either with its own past experience or with that of the United Kingdom.

It probably would be a mistake to attribute any profound significance to the net position indicated by the present estimates, especially in view of its probably short-run character. The excess of liabilities may be quickly eliminated after the war by the utilization of foreign dollar balances to pay for United States exports or by their conversion and withdrawal in the form of gold. In this connection, the net debtor position appears small indeed by comparison with the huge gold stock held by the United States, which amounted to $20,825,000,000 at the end of September, 1944.

The estimate of the net position depends to a significant extent on several more or less arbitrary decisions as to the types of assets and liabilities included and the methods of valuation employed. It may also be open to question whether the value of outstanding assets and liabilities, however determined, affords the most significant criterion of a country's creditor-debtor position.

What Is a Creditor Nation?

Part of the confusion regarding the position of the United States as an international creditor or debtor seems to be attributable to different conceptions of the meaning of these terms. At least four interpretations are possible, and it is not always clear which concept is employed in contemporary discussion.

The four possible criteria are: The net-outstanding basis, the net-income basis, the net-movement basis, and the investment-potential basis.

TABLE I

International Investment Position of the United States, September, 1944

(In billions of dollars)

Assets (United States investments abroad):		
Long-term:		
Direct	7.3	
Foreign dollar bonds	1.7	
Miscellaneous private	1.0	
United States Government	.6	
Total long-term		10.6
Short-term:		
Private	0.3	
Official	.2	
Total short term		0.5
Total asests		11.1
Liabilities (Foreign investments in the United States):		
Long-term:		
Direct	2.2	
Preferred and common stocks	2.7	
Corporate and government bonds	.7	
Miscellaneous	.6	
Total long-term		6.2
Short-term:		
Private	2.8	
Official	3.3	
Total short-term		6.1
Total liabilities		12.3
Net creditor (+) or debtor (—) position of the United States:		
On long-term account		+4.4
On short-term account		—5.6
Net position		—1.2

Net-Outstanding Basis

This is the concept most commonly employed and may be defined simply as the excess or deficit of a nation's investments abroad over foreign investments within its territories. This method, which was used in measuring the net position in the opening paragraphs, involves merely an evaluation and summation of a country's outstanding assets and liabilities on international account. While the concept is simple, its application involves matters of judgment, especially with reference to the types of holdings to be included.

Residence of the owner, rather than nationality, is probably the most significant test of whether an obligation is international in character. Thus, investments abroad of all residents of the United States, regardless of nationality, are herein considered part of this country's "foreign investments," while even the holdings of United States securities by American citizens more or less permanently residing abroad must be considered as foreign investments in the United States.

Holdings which do not ordinarily give rise to payments with respect to principal or service are omitted from the present estimates. Personal property (such as homes or objects of art), property of charitable, religious and educational institutions, and governmental property held for governmental use (such as embassies and military installations) are thus excluded. Moreover, intergovernmental obligations resulting from World War I are also excluded.

Bank deposits, although not strictly speaking an "investment," are customarily counted along with other short-term claims in computing gross assets and liabilities outstanding. However, the question which naturally follows from this treatment is how to consider earmarked gold, which, at least from the owner's point of view, is very similar to foreign exchange reserves held in the form of deposits in a gold standard country. In other words, why distinguish between foreign "official" holdings of dollar balances in New York and earmarked gold held for the account of the same foreign official entities, principally central banks and governments? Such gold amounted to $3,843,000,000 at the end of September, 1944, the date covered by table 1.

The distinction lies in the fact that foreign deposits constitute a potential claim on the monetary reserves—the gold stock—of the United States, while gold earmarked on foreign account is held here simply as a matter of convenience and does not form part of these reserves. The physical withdrawal from the country of gold held under earmark has no effect on the monetary reserve position of the United States, while the withdrawal of dollar balances would tend to reduce its gold reserves.

As a potential claim on the real resources—goods and services—of the United States, earmarked gold and dollar balances are probably of equal importance. But in this sense, all gold wherever held is a potential claim on United States resources, limited only by the cost of shipment and the willingness of its foreign owners so to make use of it. By the same token, the United States gold stock constitutes a potential claim on the goods and services of other countries.

The problems of valuation are also complex. Bonds, for instance, may be stated at par or market value, while equity investments, such as common stocks, offer three alternatives: par, market, or book value. The methods used in this article are described in the methodological note appended, but it may be noted here that if par rather than market values had been used to measure current United States holdings of foreign dollar bonds, the net-debtor position would have been considerably smaller.[1]

As a statement of international assets and liabilities, the debtor-creditor position is significant in two major respects. In the first place, from the standpoint of countries that may have balance-of-payments problems, it measures the amount of international assets which may be subject to at least partial liquidation, depending upon their nature and ownership, to meet either short-run foreign exchange deficiencies or more severe strains such as those associated with war-time or post-war dislocations. The converse of this situation, from the viewpoint of the country in which the assets are located, is the possible effect that such liquidations might have on its securities and commodity markets or its monetary reserves.

Secondly, the creditor-debtor position, especially on long-term accounts, is significant for the bearing on the current balance-of-payments position of investment service—that is, income and amortization payments resulting from international investments. This aspect of the question, ordinarily the more important, leads to the second of the four basic criteria suggested for judging a country's creditor-debtor position.

Net-Income Basis

This concept involves basing the decision as to whether a country is a creditor nation on whether it receives more income on investments abroad than is paid out to foreigners on their investments in the country. This criterion may yield very different results from the net-outstanding approach, especially if large amounts are held in liquid form yielding little or no return.

Net-Movement Basis

Familiar from writings of the nineteenth century, the net-movement basis does not specifically involve the determination of whether a country is a debtor or a creditor, but whether, currently, it is borrowing or lending. It is obvious that a creditor country, as defined by either of the first two criteria discussed, could at any given time be either a net exporter or importer of capital.

Potential-Investment Basis

The potential capacity of the United States to provide capital for foreign investment appears to lie behind the sometimes voiced expectation that, at the close of the war, the United States will b "the greatest creditor country the world has ever known." This is again a completely different criterion and one far less subject to accurate appraisal than any of the foregoing. A country's potential foreign-investment capacity depends on a number of factors, including the volume of private and corporate savings, the willingness to invest abroad, the availability of foreign investment opportunities, and the ability to create and maintain a surplus on trade and service account.

Position of the United States

The accompanying chart shows the varying position of the United States over the past 30 years, based on the best estimates of outstanding assets and liabilities available. Although the data for all years are not strictly comparable (see methodological note) the trends shown are unquestionably significant. Present foreign long-term holdings of the United States are only about two-thirds of their previous maximum of $15,200,000,000 in 1930. By comparison with the British experience, moreover, the United States has scarcely approached the total foreign long-term investment of the United Kingdom prior to World War II of about $19,000,000,000 (computed at the rates of exchange then prevailing).

The decrease after 1930 in United States foreign investments, chiefly through the redemption and repatriation of foreign dollar bonds and their decline in value, was accompanied by a movement of foreign capital to the United States prompted largely by unsettled political and economic conditions in Europe. This gave way in 1940 and 1941 to a reduction in foreign holdings, principally British, to finance war purchases here. The trend reversed itself again, however, after the entry of the United States into the war, as Government expenditures abroad for the procurement of materials and for the pay and maintenance of troops resulted in substantial acquisitions of dollar balances (as well as gold) by foreign countries.

On interest and dividend account (the net-income basis) the United States was still a substantial net creditor in 1939, as shown by table 2.

Although the war has reduced income from United States investments in many foreign areas, preliminary data indicate the continuation of a substantial excess of receipts over payments during the war years.

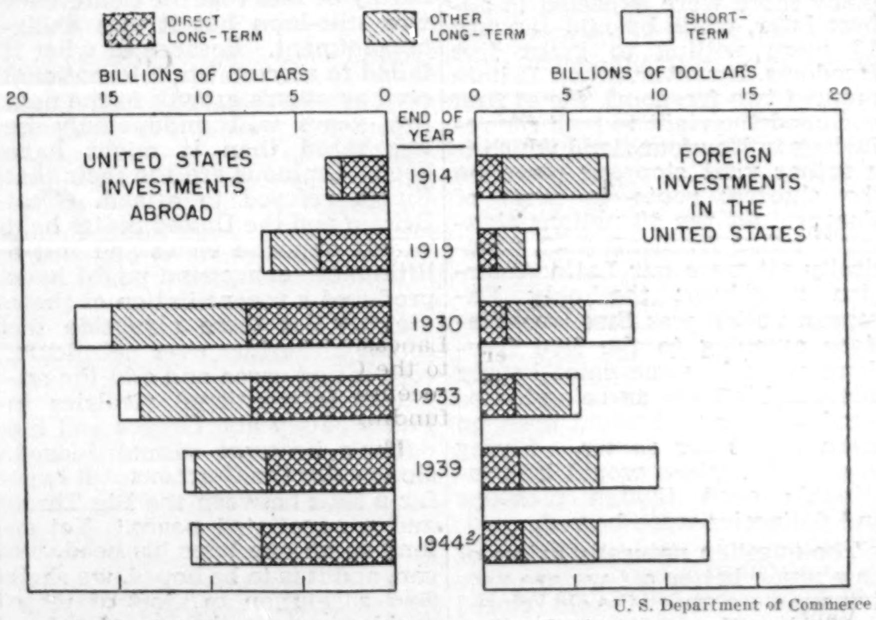
TABLE 2

International Investment Income: Receipts and Payments by the United States

(In millions of dollars)

Year	Receipts	Payments	Net Receipts
1919	544	130	414
1930	876	295	581
1933	417	115	302
1939	541	230	311

Not on this basis, either, has the United States ever approached the position of the United Kingdom as a creditor. Maximum net receipts of $652,000,000 in 1929, for instance, may be compared with British net receipts of $1,220,000,000 in the same year. In 1932, the depth of the depression, United States net receipts fell to $325,000,000, compared with $730,000,000 for the United Kingdom (computed at the old par of exchange).



U. S. Department of Commerce

[1] Data for direct and "other" long-term foreign investments in the United States are for 1929 instead of 1930, and for 1934 instead of 1933.

[2] As of September 30.

As judged by foreign investment activity, or the net-movement basis, the position of the United States underwent a drastic change during the inter-war period. Beginning well before the first World War and continuing on until 1930, the net movement of long-term capital was strongly outward, first chiefly in the form of debt repayment and later predominantly in the form of new investment of United States capital abroad.

During the twenties this new investment activity reached unprecedented proportions. In this special sense the United States was for a brief period the largest "creditor" nation of all time, although, as already noted, its aggregate foreign holdings never reached the total built up by the United Kingdom during more than a century of foreign investment experience. After 1930 the flow was abruptly and decisively reversed; as new United States investment activity ceased, outstanding investments were reduced, and foreign capital sought refuge in the United States from monetary, economic, and political uncertainty abroad.

From being an active investor in the preceding decade, the United States became during the middle and late thirties the greatest "borrowing" nation on record, although the influx of foreign capital was altogether unsolicited. United States investments abroad nevertheless remained larger than foreign holdings here until further offset by the growth of foreign dollar balances during the war.

Changes in British Position

As compared with its larger creditor position immediately prior to the war, the last several years have produced even more sweeping changes in the status of the United Kingdom. British investments have undergone substantial liquidation not only in the United States but also in the Dominions, India, and elsewhere, while its holdings in the war areas have undoubtedly suffered heavy damage. At the same time, foreign-owned sterling balances have mounted rapidly in London.[2] Like the United States, the United Kingdom may emerge from the war a net debtor.

The significance of the change is, however, altogether different for the two countries. This is because, first, against its external obligations the United States holds vast gold reserves, by comparison with which British gold stocks are very small. Secondly, the future balance-of-payments position of the United States is expected to be very strong and may well yield a substantial surplus on current account, whereas it is generally anticipated that the United Kingdom will experience some difficulty in restoring and increasing its export trade and in otherwise compensating for its losses in income from shipping and investments.

In other words, the changes wrought in the United States position are likely to be more transitory than those experienced by the United Kingdom. The future status of the United States in this respect will depend largely on how foreigners use their accumulated assets here, especially their liquid claims in the form of dollar balances, and on the extent to which the United States exercises its large potential investment capacity.

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[1] In previous estimates by the Department of Commerce, including those presented in the accompanying chart for years prior to 1944, foreign dollar bonds have been computed at par rather than market values.

[2] See "Sterling Balances and Britain's External Debt," "Foreign Commerce Weekly," Oct. 28 and Nov. 4 and 11, 1944.

Significance for the Future

A frequestly commented-upon aspect of the present position is the prospective employment of gold and dollar holdings by foreigners to ease the shock of the transition period. International economic stability is not likely to be quickly restored after the cessation of hostilities; in the meantime foreigners can cover many of their essential needs from the United States without waiting for the resumption of United States lending or even for the full restoration of their own export capacities—the latter a consideration of great importance for the occupied areas. In Latin American countries large gold and dollar holdings will be of material assistance during the transition period when there may be some decline in the demand for and the price of many of their principal export commodities.

Of greater importance in the long run would be the retention of a sizable portion of present dollar holdings as a buffer against future balance-of-payments fluctuations. Although not adequate to withstand the onslaught of a world-wide depression of the magnitude experienced in the early thirties, such reserves would help temporarily to counterbalance variations in dollars supplied by the United States and thus to prevent unfavorable repercussions on United States exports and the United States economy. In this sense, of course, the proposed International Monetary Fund would act as an additional and more systematic stabilizing factor. The gold reserves of foreign countries, wherever held, also would be of assistance in this regard.

The net-creditor position of the United States on long-term account—currently estimated at some $4,400,000,000—is small by almost any standard of comparison. It is less than one-half of the net position of the United States in 1930, although the national wealth and income have expanded greatly since that time. It is only about one-fourth of the maximum creditor position reached by the United Kingdom, whose population and resources are much smaller than those of this country.

These comparisons suggest that there may be an opportunity for a substantial expansion in United States investments abroad in the post-war period. Whether such an expansion is feasible and desirable will largely depend on the following factors:

1. The existence of productive and profitable investment opportunities abroad and the willingness of foreigners to accept, and of Americans to invest, capital on mutually advantageous terms.

2. The maintenance of a reasonably regular and continued outflow of United States capital with no abrupt declines in the amount invested, such as occurred in 1928-29 and again in 1931.

3. The willingness of this country to adopt policies which will permit the servicing of the investments during the capital outflow and after it has ceased. This means not only the liberalization of commercial policy to allow for a substantial expansion in imports but also the pursuit of domestic policies which will promote a high level of production and employment, and hence a large demand for foreign, as well as domestic, goods and services.

Municipal News & Notes

The municipal bond market has maintained the upward trend initiated by the memorable decision of the United States Supreme Court at the turn of the year in the Port Authority tax-exempt litigation, and at the present time the price level represents a new all-time high. Aside from the buoyancy occasioned by the favorable court decision, the market was further stimulated by the quick success which attended distribution of the recent New York City offering of $75,000,000 bonds.

The speed with which the consolidated Chase National Bank-National City Bank syndicate disposed of the huge city issue served to invigorate the market as a whole and its effects show no sign of diminishing. Under the circumstances, dealers lost no time in "cashing in" on the situation, with the result that inventories have been pared sharply.

A further favoring influence is the fact that the new issue department has been rather quiet since the advent of the New York City deal. Then, too, the handful of important items that have reached the market since then were received with considerable enthusiasm in investment circles. Thus the market is in an excellent position to accommodate such new business as may materialize.

In looking over the calendar of scheduled awards, however, we find that there is little of consequence in prospect for the time being. Aside from the $2,087,500 Kansas City Life Insurance Co. portfolio offering today (Thursday), there are only two issues of more than $500,000 proposed for sale during the balance of February. These comprise the $1,200,000 Houston, Texas, offering on Feb. 14, and that of $1,970,000 by Royal Oak, Mich., on the 19th. Accordingly, it will be seen that the outlook for any substantial volume of new business is not very attractive, at least on the basis of current indications.

There is, of course, one very important piece of financing definitely in prospect. This is the proposed $100,000,000 refunding operation by the Triborough Bridge Authority, which has been confidently anticipated by the market for some time.

In order to accomplish the refunding the agency is awaiting final legislative action on a bill which would increase from $100,000,000 to $110,000,000 the amount of bonds it may have outstanding at any one date. The larger amount is required to cover the premium required to be paid in calling the outstanding bonds prior to maturity.

When the legislative process has been completed, it is likely that the new refunding issue will be sold as soon as possible.

In connection with projected Triborough refunding, it is of interest to note that a new attack on the tax-exempt status of public revenue bonds is in the offing.

This takes the form of a bill to be sponsored by Representative Carlson (R. Kans.), to provide for the Federal taxation of interest on certain types of revenue bonds issued by municipalities, subsequent to Jan. 1, 1945, in connection with acquisition of privately-owned utilities. The measure would apply to bonds which are payable solely from utility revenues. Mr. Carlson is a member of the House Ways and Means Committee.

Galloway, Former Bond Attorney, Now N. Y. State Deputy Comptroller

Co-incident with the resignation of Mr. Galloway as a partner as of Feb. 1, 1945, the firm name of Vandewater, Sykes & Galloway, municipal bond attorneys of New York City, has been changed to Vandewater, Sykes & Heckler. Mr. Galloway, who had previously been on leave of absence from the firm and acting as Counsel to the New York State Department of Audit and Control, is now Deputy State Comptroller.

Chemical Bank Bridges Low and High Span of Municipal Prices

The tremendous rise in state and municipal bond prices since 1933 is strikingly portrayed in the eleventh annual price and yield survey of the Chemical Bank & Trust Company, New York City, covering more than 200 tax exempt state, municipal and authority bonds over the 12 year period from December, 1933 to December, 1944, inclusive.

The all-time high and low prices for municipal bonds are seen to have been reached during this period; the extreme low in the spring of 1933, or just prior to the bank's first annual comparison of state and municipal bond prices and yields; and the high, as measured by an average of all bonds in the list having maturities of from 10 to 25 years, at the close of 1944, or just prior to the favoring U. S. Supreme Court decision in the Port of New York and Triborough Bridge Authority tax cases.

According to this average, state and municipal bond prices stood at 90⅞ on Dec. 31, 1933, to yield 5.29% to maturity, and moved up, over the intervening years, to an average price of 133⅛, yield coincidentally dropping to the record low of 1.61%.

In a second tabulation, the Chemical Bank's study presents price data on 20 selected bonds which represent a geographical cross section of the entire country. This is interesting because it gives the data on each of the 20 individual issues used. As an index, it presents an accurate picture of what has happened to the prices of what might be considered as a theoretical portfolio consisting of bonds of these 20 representative issues.

For the entire period under study there has been a run-off in maturity of these issues which has brought the average maturity of the 20 bonds down from 21½ years in December, 1933 to 10½ years in December, 1944. However, despite this shortening of maturities, the average dollar price of these bonds shows an appreciation of no less than 34 points, while basis price has moved from 5.18% to 1.35% during the relatively brief span of 11 years.

This price comparison now in its 12th year has come to be one of the valuable statistical publications in the municipal bond field and one which is looked forward to with interest by municipal bond men and institutional bond buyers throughout the country.

Atlantic City Tax Collections At 20-Year Record

Current tax collections of 92.7% of the levy during the calendar year 1944 bore out the prediction of a new 20-year record made in mid-October by Daniel S. Bader, Director of Revenue and Finance of Atlantic City, New Jersey, according to a statement issued on Feb. 7 by Wainwright, Ramsey & Lancaster of New York, advisors to the City in connection with the recently completed $22,000,000 refunding program.

The statement pointed out that, "In 1944 Atlantic City collected $4,339,442 or 92.7% of the 1944 levy of $4,679,796. Collection of delinquent taxes and liens amounting to $768.778 brought over-all tax collections to $5,108,220 or 109.2% of the 1944 levy. Sale of foreclosed property brought in an additional $220,891, with the result that total delinquent taxes, tax title liens and foreclosed property outstanding at the end of 1944 showed a reduction from the previous year of $687,427.

"The excellent business conditions that prevailed in 1944, which was one of the best business years the City has ever had, was also reflected in miscellaneous revenue collections well in excess of budget estimates.

"The over-all results of the year's operations were that the City entered the year 1945 with substantial unencumbered cash balances in all operating accounts. Coupled with the completion in November of the program of refunding, which effected future interest savings of some three and one-quarter (3¼) million dollars, the City's credit is now at the best level of its entire history."

Dealer-Broker Investment Recommendations and Literature

(Continued from page 627)

—**Laird, Bissell & Meeds,** 120 Broadway, New York 5, N. Y.

New York, New Haven & Hartford Railroad Company, 13-page study of present status of reorganization—**E. W. Clucas & Co.,** 70 Pine Street, New York 5, N. Y.

Old Colony Railroad Company, detailed evaluation of situation—**Graham, Parsons & Co.,** 50 Congress Street, Boston 3, Mass.

Oswego & Syracuse R. R. Co. 9% Stock—current appraisal contained in the February issue of "Railroad Securities Quotations" published by **B. W. Pizzini & Co., Inc.,** 55 Broadway, New York 6, N. Y.

"Over-the-Counter Review"—February edition—**Bristol & Willett,** 115 Broadway, New York 6, N. Y.

Oxford Paper preferred and common—analytical study—**Goodbody & Co.,** 115 Broadway, New York 6, N. Y.

Performance—an eleven-year study of market action and income—**Butler-Huff & Co. of California,** 210 West Seventh Street, Los Angeles 14, Calif.

Pickering Lumber Co.—memo regarding possibility of oil discovery on properties owned by the company—**White & Company,** Mississippi Valley Trust Building, St. Louis 1, Mo.

Pittsburgh Railways—current study—**First of New York Corporation,** 70 Pine Street, New York 5, N. Y.

Post War Earnings and Debt Reduction Possibilities for Seaboard Railway Company—circular on written request—**Pflugfelder, Bampton & Rust,** 61 Broadway, New York 6, N. Y.

Public National Bank & Trust Company—comparative figures—**C. E. Unterberg & Company,** 61 Broadway, New York 6, N. Y.

Rail Stocks, V-E Reaction Risk—appraisal of situation—**Paine, Webber, Jackson & Curtis,** 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation—brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

Seaboard All-Florida—detailed resume of developments—**L. H. Rothchild & Co.,** 52 Wall Street, New York 5, N. Y.

Skilsaw Inc. and **American Arch Co.**—analyses—**W. J. Banigan & Co.,** 50 Broadway, New York 4, N. Y.

Southwestern Public Service Company and **Empire District Electric Company**—memorandum on why these situations appear attractive "bargains"—**G. A. Saxton & Co., Inc.,** 70 Pine Street, New York 5, N. Y.

Special Offerings and Secondary Market Distributions, a review for the period January 1, 1940 to December 31, 1944—**Shields & Company,** 44 Wall Street, New York 5, N. Y.

United Piece Dye Works—discussion of long term possibilities for those speculatively inclined—**Ward & Co.,** 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hartford-Empire; Maine Central Pfd.; Purolator; Moxie; and P. R. Mallory.

Walker & Co. Cumulative "A" Stock—bulletin and summary of income account—**F. J. Young & Co., Inc.,** 52 Wall Street, New York 5, N. Y.

Wellman Engineering Company—prospects discussed—**Wm. J. Mericka & Co., Inc.,** 29 Broadway, New York City.

Western Railway of Alabama—position of capital stock—**O'Connell & Janareli,** 120 Broadway, New York 5, N. Y.

Wilson & Co., Inc.—brochure discussing speculative price appreciation possibilities—**H. Hentz & Co.,** Hanover Square, New York 4, N. Y.

Col. E. A. Halsey Dies

Col. Edwin A. Halsey, Secretary of the Senate for 11 years, and one of the leading figures of the Democratic Party in Washington circles, died on Jan. 29 at 63 years of age. In reporting his death Washington United Press advices said:

"He had been an employee of the Senate for nearly half a century, beginning as a page in 1887. He was elected Secretary in 1933 when the Democrats organized the upper chamber and was re-elected in 1943.

"The Senate suspended legislative business for 45 minutes in tribute. Democrats and Republicans alike lauded his service.

"Mr. Halsey was sergeant-at-arms for several Democratic National Conventions but was unable to serve in that capacity at the convention last summer because of a heart attack. He appparently had recovered and resumed his Senate duties in the fall.

"He served as secretary of the committee which arranged President Roosevelt's fourth-term inauguration, but immediately after the ceremony was forced to bed by exhaustion."

Form Hamilton & Sherman

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Harold R. Hamilton and Thomas E. Sherman have formed Hamilton and Sherman with offices at 6030 Wilshire Boulevard, to engage in the securities business.

The Significance of Public Debt

(Continued from page 619)

experience in the growth of its national debt over a period from the early 1700's to the 1930's is missed by many observers. In the early years we do not have a continuous series, but the major increases in debt are all associated with war periods. In each of these earlier war periods the debt nearly doubled (1739-48, up 60%; 1756-63, up 75%; 1775-81, up 71%); during the Napoleonic Wars (1793-1815) it increased nearly 250%, and during World War I it rose over 1,000%.

Some interesting commentaries on this growth in British public debt are made in the nineteenth chapter of Lord Macaulays "History of England," published in 1855, from which the following excerpts are taken:

> At every stage in the growth of that debt the nation has set up the same cry of anguish and despair. At every stage in the growth of that debt it has been seriously asserted by wise men that bankruptcy and ruin were at hand. Yet still the debt went on growing; and still bankruptcy and ruin were as remote as ever. When the great contest with Louis XIV. was finally terminated by the peace of Utrecht (1713), the nation owed about fifty millions; and the debt was considered not merely by the rude multitude . . . but by acute and profound thinkers, as an incumbrance which would permanently cripple the body politic. . . . Then came the War of the Austrian Succession; and the debt rose to eighty millions. Pamphleteers, historians, and orators pronounced that now at all events, our case was desperate. . . . Soon war again broke forth (1756); and, under the energetic and prodigal administration of the first William Pitt, the debt rapidly swelled to a hundred and forty millions. As soon as the first intoxication of victory was over, men of theory and men of business almost unanimously pronounced that the fatal day had now really arrived. . . . David Hume, undoubtedly one of the most profound political economists of his time, declared that our madness had exceeded the madness of the Crusaders. . . . Better for us to have been conquered by Prussia or Austria than to be saddled with the interest of a hundred and forty millions. . . . Adam Smith saw a little and but a little further. He admitted that immense as the burden was, the nation did actually sustain it and thrive under it in a way which nobody could have foreseen. But he warned his countrymen . . . the limit had been reached. . . . The attempt to lay a portion of the load on the American colonies produced another war 1775). That war left us with an additional hundred millions of debt. . . . Again England was given over; and again the strange patient insisted on becoming stronger and more blooming in spite of the diagnostics and prognostics of State physicians. . . . Soon, however, the wars which sprang from the French Revolution, and which far exceeded in cost any that the world had ever seen, tasked the powers of public credit to the utmost. When the world was again at rest and the funded debt of England amounted to eight hundred millions. . . . It was in truth a gigantic, a fabulous debt; and we can hardly wonder that the cry of despair should have been louder than ever. . . . Yet . . . the beggared, the bankrupt society . . . proved able to meet all its obligations. . . . Those who so confidently predicted that she must sink, first under a debt of fifty millions, then under a debt of a hundred and forty millions, then under a debt of two hundred and forty millions, and lastly under a debt of eight hundred millions, were beyond all doubt under a two-fold mistake. They greatly overrated the pressure of the burden; they greatly underrated the strength by which the burden was to be borne.

There is no denying the fact that over the past two centuries British national debt rose tremendously without the resultant economic disasters which were so generally feared by contemporary observers of the times. The important point, however, for us to learn from this British experience—and one which has been missed by many who like to point to the British record—is that each successive increase in the debt was matched by a tremendous growth in economic activity and private enterprise.

Growth of U. S. Debt

For the same period some of the data on the growth of British industry and trade for the early years is skechy, but it is sufficiently complete and accurate to illustrate the basic truth that increasing debt need not be ruinous if it is accompanied by a commensurate growth in the production of economic goods and services. There was a tremendous upsurge in the cargo tonnage cleared, pig iron production, and coal production. Growth in population was much less than economic growth. This difference tends to emphasize even more the dynamic nature of the economic growth which took place in Britain during this period. Clearly, the lesson to be learned from British experience is not that increasing debt is harmless, but rather that it need not prove unduly burdensome or ruinous if it is paced by a proportionate or bigger growth in economic productivity.

The debt record of the United States covers a shorter period than that of the British, but in its broad outlines it follows the same general pattern of development. Beginning in 1850 the public debt of the United States, Federal, State and local combined, has risen from less than a half billion dollars prior to the Civil War—most of this State and local debt—to approximately $245 billion at the end of 1944, the major increases, as in the case of Britain, occurring in times of war.

Not only in dollar amount but in proportion to its previous level, the increase in our public debt in the past twelve years exceeds that of any other period in American experience. But it is important to bear in mind that the burden of debt is relative to the productivity of the debtor, and as we all know, the capacity of America to produce is the marvel and the envy of the world. The development of our economic resources and productivity has proceeded at a tremendous pace over a long span of years as is evident from the rapid increases which have occurred in national wealth, national income, and industrial activity. In the past five years America's ability to produce has been demonstrated anew and the crux of the matter is that there is no way in which the economic problems of America can be solved as well or with greater assurance of permanency than by bending our efforts to the maintenance of a high and ever-expanding level of economic productivity.

Inflation Danger

The danger of wild inflation has been a lively topic of discussion for years as we have piled one budget deficit upon another and financed those deficits by placing a large part of the increased debt in our commercial banks with a consequent expansion in money supply. But the fact of the matter is that we haven't had price inflation yet, as is best proven by the relatively moderate rise in our commodity prices during recent years. While the full explanation lies in a complexity of economic relationships, the key reason is that American productive ingenuity and American private enterprise have combined to bring forth a deluge of goods and services. In the war period when the production of civilian goods was necessarily curtailed, reasonably effective price control devices have been applied. However, in the post-war period when price controls will be necessarily less effective, our best protection against the threat of price inflation—one might almost say our principal safeguard—is to free the forces making for expansion in private enterprise so that our vast potentialities for increased production of goods are fully exploited. We possess the ability to match the greatly expanded money supply with a larger and larger supply of goods and services, and if we do so the risk of uncontrolled inflation will be remote.

It is frequently said that we need not worry about the debt because we owe it to ourselves, but this idea can be at best no more than a half truth, for so rapid and great an increase in our debt as has occurred in recent years cannot fail to leave us with serious and pressing financial problems at war's end. Our national wealth and income will have undergone a material redistribution, much of the cost of the war will have been "monetized" so to speak by the sale of government securities to the commercial banks, and many real disruptions to our normal economic processes and relationships will have occurred. The ultimate consequences of an increase in debt such as this nation has experienced will depend upon the wisdom of our decisions and terming the economic and political policies to be followed in the post-war periods. But in certain respects the economic signposts appear relatively clear.

It is obvious, for example, that relatively high taxes are inevitable for an indefinite but prolonged period ahead. In all probability, the costs of servicing the Federal debt in the post-war period will alone exceed our largest peace time budget prior to the 1930's. And there is scant reason for doubting that many of the other costs of government in the post-war period will be well in excess of their former peace time amounts. Clearly this means that government revenues must be held at high levels and as a corollary that our national income must be maintained well above our best pre-war performance—not alone in dollars, but in terms of physical production. Lower rates of taxation will be more feasible if our national income is high than if it is low, for the burden of taxes is a function not only of rate but of ability to pay. It seems clear, therefore that in dedrafting our tax laws for the post-war period the emphasis should be upon the objective of unleashing capital investment into productive enterprise so that our economic organization can function effectively without the stimulant of deficit spending. The real burden of servicing our post-war debt would then be reduced.

Investment Effects

In the investment field the results of our vast expansion of public debt will be felt in many ways for a long while ahead. At the peak of the Federal debt, following the close of World War I, United States Government obligations amounted to a much smaller proportion of the total outstanding volume of so-called "investment grade" securities than will be the case when victory is ours this time. According to estimates prepared under the financial research program of the National Bureau of Economic Research, the total of outstanding corporate bonds of Baa or better quality amounted to roughly $16.5 billion in early 1920 and $15.5 billion in mid-1944. United States Government debt reached a high of approximately $26.6 billion in 1919 as compared with $232 billion at the close of 1944. In other words, the Federal Government debt comprised about 60% of the combined dollar volume of United States Government and "investment grade" corporate bonds at the end of the last war, whereas, the corresponding percentage now is already over 90%. Hence, it seems clear that since United States Government obligations will be not only pre-eminent in quality, but dominant in size of market in the post-war period, they will continue to be, as they now are, the principal outlet for the funds of institutional investors.

The size of the nation's debt confronts the authorities with a colossal problem, for they are under the necessity of managing a Federal debt that may well approximate from 11 to 13 times as much as that with which we closed World War I—and of doing this with respect to a debt which has been financed at very low rates of interest compared with those at which the last war was financed, and which in distribution as to maturity and class of holder leaves much to be desired. This clearly means that financial statesmanship of the highest order, both in wisdom and courage, will be required.

In the very size of the debt there is some risk that restrictions may be placed in the investment freedom of our private financial mechanism. Management of a debt of $300 billion can—unless conditions are propitious—be so difficult that there may be a temptation to follow the easy course adopted in certain other countries involving varying degrees of government control over the investment operations of our financial institutions. As a safeguard against any such tendency here, it is to be hoped that by concerted effort of the financial community and the fiscal authorities an increasing proportion of the debt can be placed in the hands of the public on a permanent investment basis so that resort to radical devices of control can be avoided. That an opportunity exists for placing a greater proportion of the government debt in the hands of our people is clear from the fact that vast accumulations of savings have thus far been only partially tapped. According to figures released by the Securities and Exchange Commission, liquid savings—currency and bank deposits—in the hands of individuals and unincorporated business have accumulated to the total of approximately $44 billion in the period since 1939. It would be a salutary influence if in future offerings of government securities a greater proportion of the funds held by individuals could be drawn into investment in such securities and less reliance were necessary upon subscriptions based directly or indirectly upon commercial bank credit.

For the many problems connected with our greatly expanded public debt, there is no easy panacea. It is important to recognize, however, that a higher and higher volume of production represents the nearest thing to a single solution of these problems and that all of them can more easily be dealt with in an environment of high employment and high production, i. e., of business prosperity. In proportion as high production is realized, the real burden of the debt will be reduced and the threat of inflation and of financial disruptions growing out of the war will be lessened. In proportion as it is realized, the confidence of the nation in the integrity of its debt and its money will be assured.

The essential elements of a program which will bring real prosperity to the country is a story in itself, but if the maximum production is to be obtained, then we clearly must have a peace time environment in which the relations between business and labor and the attitude of government toward each is such as to unleash the demonstrated driving force of our private enterprise system.

Extension of Limited Mail Service to Belgium

Postmaster Albert Goldman announced on Feb. 3 information has been received from the Post Office Department, Washington 25, D. C., that letters not exceeding one ounce in weight are now accepted for mailing to civilians in Belgium.

The postage rate is 5 cents.

Heretofore the service was restricted to non-illustrated post-cards on business, personal or family matters.

Registry, money order, airmail and parcel post services are not yet available.

Enclosures of currency, checks, drafts and securities continue to be prohibited.

Communications on business as well as personal matters may be sent. However, financial or business communications must be restricted to the ascertainment of facts and exchange of information except when they constitute instructions relating to support remittances and to the protection, maintenance and management of property interests in Belgium or are documents regarding patents, copyrights and trade-marks.

Canadian Securities

(Continued from page 637)

the war, there has been no raising of new money in this country.

Consequently, during the past week there was no departure from the overall pattern of strength with a restricted turnover. Nationals were again in popular demand and there was a growing inquiry for the less attractive direct Dominions. As a result of a broadening interest Montreals made further headway and there was considerable activity in Abitibis. Albertas held firm at their recently established new high level, and general market opinion is beginning to share the view that it is likely that the Alberta Government will make an acceptable offer direct to the bondholders and thus arrive at a satisfactory solution of this long outstanding problem.

Internal issues shared the strength of the general market and free funds appreciated to 9½% discount. In this connection, bearing in mind the world-wide trend towards lower interest rates, it might now be opportune to consider the possibility of a reduction of the customary 3% coupon on future Dominion of Canada internal issues.

With regard to the possible future course of the market, the present firm trend is so well established that political developments in connection with the forthcoming Federal elections, unless of a sensational and unexepected nature, are likely to constitute a subordinate factor. Moreover, the recent upsurge in domestic issues has not yet been fully reflected in the Canadian bond market in this country.

New York Chamber of Commerce Opposes Repeal of Johnson Act

(Continued from page 624)

$6,200,000,000 invested in American real estate, American securities, or in cash deposits rather than in the liquidation of their obligations.

"Quite aside from this fact, Mr. President, there is nothing in the report of the committee to show that the situation alleged by the committee to have existed between the wars will be cured by the passage of the resolution now before you.

"Mr. President, I think the statement in the second 'Whereas' in the preamble of the resolution should be challenged. In that paragraph it is asserted 'that a nation's trade follows its investments.' All that means is that we hope if we lend these foreign bankrupt nations money, they may purchase with the proceeds of those loans some of our exports, but there is nothing to prevent these bankrupt nations from using the dollar exchange, which they obtain through these loans, for any purpose they may see fit—be it making war, or be it in investing in American securities instead of the purchase of our exports.

"Furthermore, let me point out in connection with this question of creditor payments that through our dishonest devaluation of the American dollar, we made possible an expansion of funds available for the payment of debts in the United States, or for the purchase of American securities, which was nothing more or less than a gift to these foreign bankrupts.

"This report says that many of the most brilliant minds in the business and government life of this country failed to foresee the acute financial depression which engulfed the United States and the world at large. Quite true, but there is nothing in this report to show that we would be wise now in advocating the identical policy which, in the past, brought colossal losses to the American people.

"Let me say, Mr. President, that there is a peculiarly potent reason why it would be deplorable for this Chamber to endorse a plan which would pave the way for additional loans to bankrupt nations. We all know that the affiliates of many of our large financial institutions sold to innocent investors throughout the United States great masses of foreign securities which offered little assurance of continued payment of interest and very questionable possibilities of redemption at maturity. Everyone in this room knows that a large quantity of these foreign securities which have been in default for years have been bought back, or are being bought back, at vastly depreciated values. That fact certainly does not justify the original sale to investors who lost their savings in reliance on false representations, nor does that incontestable fact justify the passage of this resolution. The truth is that the passage of this resolution would make this Chamber particeps criminis in the renewal of these same pernicious practices, which put shame on Wall Street in the 20s and brought down upon business the wrath of the American people.

"I am aware that there are plans which are expected to enable foreign bankrupts to reconstitute their currency in the expectation that they will in future be enabled to meet their foreign obligations. There is no argument to show in this resolution that any one of these plans is sound. As a matter of fact, I think, the chief plan under consideration is demonstrably unsound. You know, and I know, that these plans are based on one fundamental proposition; that is, for our Government to pour billions of good American dollars down some foreign rat-hole.

"In conclusion, let me say that if the principles upon which this resolution is based are carried out to their logical conclusion this Chamber should advocate the financing of American bankrupts on the theory that if they are adequately financed they may in future be able to pay for the goods and services which they purchase from American industry. As a matter of fact, there is a better argument for the proposition to finance American bankrupts than European bankrupts, because such tangible assets as the bankrupt does acquire would at least be within the jurisdiction of United States courts and subject to levy.

"Remember, gentlemen, the Johnson Act was placed on the statute books to prevent the American people from being swindled. It ought not to have been necessary to pass such a law, but it was. The question now is: will you cast your vote to undermine this legal barrier erected by Congress to protect ill-informed and trustful American investors from the rapacity of persons unworthy of their confidence?

"That is the issue. For the honor of this Chamber and the general welfare of our business community I ask your vote to reject this resolution."

Following the action on the Johnson Act the Chamber took a decided stand against legislative interference with business on the ground of racial discrimination by adopting the following resolution:

Resolved, That the Chamber of Commerce of the State of New York declares itself in opposition to any legislation

(1) That declares or enacts it to be, directly or indirectly, a misdemeanor to discriminate against a person in employment because of race, creed, color or national origin;

(2) That creates a permanent State Commission with power to investigate the employment practices of business concerns in this State and with power to order an employer to employ or reinstate or to promote any employee found by the Commission to have been discriminated against because of race, creed, color or national origin; and

(3) That this Chamber is opposed to any legislation which dictates to any employer in private enterprise whom he shall employ; and, be it further

Resolved, That a copy of this resolution be sent to the Government of the State of New York and to each member of the Legislature, and to others concerned.

The Chamber registered its opposition to the Hampton-Devany bill granting absolute preference in civil service appointments and promotions to veterans irrespective of disability and recommended a seven-point amendment to the State Constitution to limit preferences and safeguard the civil service.

It approved the creation of a New York City Transit Authority to place the subways on a self-sustaining basis and take the transit system "out of politics." It also urged the enactment of the McCarran-Ferguson bill to give the States continued regulation and taxation of the insurance business.

The members voted in opposition to extending the moratorium on mortgage foreclosures to July 1, 1946, and urged the Legislature to establish a State Board of Assessment Review and to carry out the recommendations made by the Bewley Committee.

Mutual Funds

(Continued from page 635)

gain of 183.4% for the period, far exceeds that of any other mutual fund.

"Spread"

In the current issue of **Abstracts**, the long-term spread between bond yields and stock yields is portrayed and discussed by **Lord, Abbett.** The present spread of 1.77%, according to Abstracts, "should invite considerable investment in common stocks."

> **"Based on 1944 dividend payments of $6.56, the Dow would have to go to 218 to be on a 3.00% basis. That is more than 40% above present levels."**

Monthly Dividends

Keystone Corp., in the current issue of **Keynotes**, stresses again the advantages of "an extra pay day each month." "Capital," writes this sponsor, "creates wealth for its owners only when it is employed productively — when it is invested to produce more capital or to provide income."

An investment in six of the **Keystone Custodian Funds** will provide a distribution check on the 15th of each month throughout the year, and at the same time permit the investor to plan a diversified program in bonds, preferred stocks and common stocks.

Bond Investment Trust—Net assets of this fund have doubled during the last 12 months and now amount to over $4,000,000. On Dec. 31, 1944, net assets were $3,789,534.

Century Shares Trust—Net assets on Dec. 3, 1944, amounted to $19,437,566, equal to $30.06 per share as compared with $27.69 per share a year earlier.

Mutual Fund Literature

Calvin Bullock—A revised prospectus on **Dividend Shares** dated Feb. 1, 1945. . . . **Keystone Corp.**—Revised folder, "10 Securities," revised portfolio folders on **Keystone Custodian Funds K-1, K-2, S-1, S-2, S-3** and **S-4**, Current Data folder for February on all Keystone Custodian Funds. . . . **Distributors Group** — A revised memorandum on **Railroad Equipment Shares,** "Need + Money to Buy = Profits," a new issue on **Railroad News. . . . Vance, Sanders**—A revised prospectus on **Boston Fund** dated Feb. 1, 1945.

Dividends

Keystone Custodian Fund Series K-1—A dividend of 65¢ a share payable Feb. 15, 1945, to shareholders of record Jan. 31.

New York Stocks, Inc.—The following dividends per share payable Feb. 26, 1945, to stock of record Feb. 5:

NEW YORK STOCKS, INC.—
Special Stock

	Amount of Dividend Per Share
Agricultural Industry Series	$.07
Alcohol & Dist. Industry Series	.13
Automobile Industry Series	.06
Aviation Industry Series	.16
Bank Stock Series	.07
Building Supply Industry Series	.05
Business Equip. Industry Series	.11
Chemical Industry Series	.05
Electrical Equip. Industry Series	.07
Food Industry Series	.10
Government Bonds Series	.00
Insurance Stock Series	.08
Machinery Industry Series	.10
Merchandising Series	.09
Metals Series	.10
Oil Industry Series	.08
Public Utility Industry Series	.03
Railroad Series	.06
Railroad Equip. Industry Series	.08
Steel Industry Series	.05
Tobacco Industry Series	.12
*Diversified Investment Fund	.10
Diversified Speculative Shares	.00

* Initial Dividend.

Institutional Securities, Ltd.—A cash dividend of 2¾¢ per share on **Bank Group Shares,** payable March 31, 1945, to stock of record Feb. 28.

DIVIDEND NOTICES

Borden's

DIVIDEND No. 140

An interim dividend of forty cents (40¢) per share has been declared on the capital stock of ***The Borden Company,*** payable March 2, 1945, to stockholders of record at the close of business February 15, 1945.

E. L. NOETZEL
January 30, 1945 *Treasurer*

J. I. Case Company

(Incorporated)

Racine, Wis., January 31, 1945

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable March 31, 1945, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable March 31, 1945, to holders of record at the close of business March 12, 1945.

WM. B. PETERS, Secretary.

UNITED SHOE MACHINERY CORPORATION

The Directors of this Corporation have declared a special dividend of 62½c per share on the Common capital stock, payable February 28, 1945, to stockholders of record at the close of business February 6, 1945.

WALLACE M. KEMP, Treasurer.

Will Discuss British Post-War Problems

The Honorable Robert H. Brand, Representative in the United States of the United Kingdom Treasury, will address a luncheon meeting of the Bond Club of New York, to be held at 12:15, February 20, at the Bankers Club, Henry G. Riter, 3rd, President of the Club, announced. Representative Brand will discuss "Some British Post-War Problems."

Roger Flint & Leroy Hall With Pearson, Erhard Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—Roger Flint and Leroy M. Hall have become associated with Pearson, Erhard & Company, Inc., 50 Congress Street. Mr. Flint in the past was a principal of B. F. White & Company, Inc.

DIVIDEND NOTICES

RADIO CORPORATION OF AMERICA

Dividend on First Preferred Stock

The Directors have declared, for the period January 1, 1945 to March 31, 1945, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable April 2, 1945 to holders of record at the close of business March 5, 1945.

GEORGE S. DE SOUSA
Vice-President and Treasurer

New York, N. Y., February 2, 1945

SOUTHERN RAILWAY COMPANY

New York, January [illegible], 1945.

Dividends aggregating $3.75 per share on the Preferred stock of Southern Railway Company have today been declared, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
$1.25	March 15, 1945	Feb'y 15, 1945
1.25	June 15, 1945	May 15, 1945
1.25	Sept. 15, 1945	August 15, 1945

A regular quarterly dividend of 75c per share on 1,298,200 shares of Common stock without par value of Southern Railway Company has today been declared, out of the surplus of net profits of the Company for the fiscal year ended December 31, 1944, payable on March 15, 1945, to stockholders of record at the close of business on February 15, 1945.

Checks in payment of these dividends on the Preferred and Common stocks will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary.*

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, January 30, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the capital stock without par value, payable March 15, 1945 to shareholders of record at the close of business February 23, 1945.

C. O. BELL, Secretary.

Newmont Mining Corporation

Dividend No. 66

On February 6, 1945, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable March 15, 1945, to stockholders of record at the close of business February 23, 1945.

H. E. DODGE, *Treasurer.*

GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the Company's capital stock, payable March 15, 1945, to stockholders of record at the close of business February 15, 1945.

H. F. J. KNOBLOCH, *Treasurer.*

REDEMPTION NOTICE

Notice of Redemption and Retirement

Majestic Radio & Television Corporation

PREFERRED STOCK

Notice is hereby given that Majestic Radio & Television Corporation, a Delaware corporation, has elected, pursuant to the provisions of its certificate of incorporation and a resolution of the Board of Directors adopted December 20, 1944, to redeem and retire on February 28, 1945, all outstanding shares of its preferred stock at Ten Dollars ($10.00) per share, plus an amount equal to accrued unpaid dividends thereon at the rate of Twenty Cents (20¢) per share per annum to said date.

Holders of certificates representing shares of said preferred stock are hereby notified to surrender the same at the office of the Registrar and Transfer Company, 15 Exchange Place, Jersey City 2, New Jersey, for such redemption and retirement. Funds necessary to provide for such redemption will be deposited on February 28th, 1945 with the Continental Illinois National Bank and Trust Company of Chicago, in trust for disbursement by the Registrar and Transfer Company, as redemption agent.

Notice is hereby given that said shares of preferred stock may be converted into fully paid and non-assessable shares of common stock of the corporation on the basis of two and one-half (2½) shares of common stock for each share of preferred stock at any time on or before the close of business on February 13, 1945, and that in connection with any such conversion said preferred shares shall be surrendered to the Registrar and Transfer Company, 15 Exchange Place, Jersey City 2, New Jersey, the corporation's stock transfer agent, for such conversion.

Said preferred shares may be surrendered on or after February 28, 1945, and holders thereof will receive the full redemption price of Ten Dollars ($10.00) per share plus the dividends accrued thereon from June 1, 1944, to February 28, 1945, the redemption date, to wit: Fifteen Cents (15¢) per share, making a total of Ten and 15/100 Dollars ($10.15) per share.

Under the provisions of the certificate of incorporation of the company, from and after February 28, 1945, shares of said preferred stock of the company shall no longer be deemed outstanding, and all rights with respect to such shares will have ceased and terminated except only the right of holders thereof to receive the redemption price, but without interest. From and after February 28, 1945, all dividends on said preferred stock shall cease to accrue and the stock so called for redemption shall not be transferable on the books of the company except to the company.

By order of the Board of Directors.

MAJESTIC RADIO & TELEVISION CORPORATION
By E. A. TRACEY, *President.*

January 4, 1945

International Air Trade and Travel Routes of the Future

(Continued from page 623)

submarines stalked the sea lanes, they drove their human prey into the air lanes. This war experience does not represent theorizing; it is the practical laboratory test which proves the case.

International Air Routes

Alert to the very great possibilities of expansion and growth in international air trade and travel, the Civil Aeronautics Board in 1943 consulted extensively all aeronautical interests, twice solociting their views, as to the international air transportation routes which the United States should seek to operate in the future. After further consultation with all interested governmental agencies, and with the approval of the President, the Board made our proposed world routes public last June. If existing United States air routes established before the war are included, there are 20 world routes in all which were so announced. They do not include any routes, existing or prospective, between the United States and the contiguous territories of Canada and Mexico. These routes reach every continent and important region of the world. Europe with approximately 25% of the world's population and the important areas of east Asia, south Asia and southeast Asia, including approximately 47% on the world's population, are reached by these new routes. Generally speaking, these routes are based upon commercial considerations. They represent the Board's judgment as to the best routes for airborne trade and travel prospects from and to the United States. With minor exceptions they constitute reasonably direct routes out from and back to our homeland.

About 100 applications were filed by American citizens to operate international routes. The Board has divided the world into four areas for the purpose of conducting hearings on these applications and reaching decisions in the cases. All applications in each area have been consolidated in a single proceeding. The areas are (1) the Latin American, (2) the North Atlantic (reaching eastward as far as Calcutta, India), (3) the South Atlantic, and (4) the Pacific, including Alaska (and reaching westward as far as Calcutta, India), and Australia. Hearings have been held in the Latin American, North Atlantic, and South Atlantic proceedings. Under the law, when the Board has reached its decision after a hearing in these international cases, that decision is submitted to the President. The issuance or denial of each certificate is subject to his approval.

The Board realized, of course, that many of the applications, and most of the additional proposed routes which were not in operation before the war involved air transportation to and through the air space of nations with which the United States currently has no operating air arrangements. But in setting these cases down for hearing and decision in a timely manner, the Board was following the necessary statutory requirement that findings of public convenience and necessity should be made as a result of hearings. This action by the Board was designed to permit the prompt inauguration of additional air carrier services abroad when time and conditions are appropriate. Obviously no services can be inaugurated on any of the new routes unless and until suitable arrangements have been concluded with the foreign nations concerned.

It is, of course, clear that after as well as before the war there will be many foreign air carriers operating in the international field. Under existing law, no foreign air carrier can operate to a United States point without a permit issued by the Civil Aeronautics Board after a public hearing and after approval by the President. Although there may be exceptions to this general rule, these hearings upon applications for permits by foreign air carriers would normally take place following the negotiation of suitable air transportation arrangements with the country whose air line seeks such a permit.

We are approaching, therefore, a period of great importance to this country in that the decision period is now almost upon us with respect to the applications of American flag carriers. These applications will require the determination of many important issues such as the question of whether there should be more than one American flag carrier in the international field; if so, whether they should operate as much as possible in different world areas or whether there should be competition between American flag carriers; whether, if there is to be more than one, there should be any prohibition against a domestic carrier proposing to operate beyond the borders of the United States; and many related questions of an economic and political nature.

Future International Aviation

Although, as I have indicated, the United States has had a very considerable volume of international operations in the past—it led the world in this respect—the volume of operations in peace times was insignificant compared to what is in store in the future. We expect that international trade and travel routes can be opened up widely and rapidly after this war is over. These routes will give access directly to commercial objectives, unimpeded by shore lines, barriers, and bottlenecks which have plagued other forms of transportation in the past. The impact of air commerce of the future upon our economic, social, cultural, and political life will be enormous. We are riding the crest of a wave of discovery and invention which got underway a hundred or so years ago and which, we hope, is still accumulating force for a much greater future. Someone has said that transportation is civilization. In any event, civilization and this wave of discovery thrive and develop best when it is possible for the people everywhere to profit from the best that is thought and developed by every people elsewhere in the world. High speed, time arresting, worldwide travel and the resulting acceleration in the exchange of ideas can be a powerful agent in stimulating the creative developments which are possible in the future.

It was under these promising prospects that the Chicago International Civil Aviation Conference was held last November and December. That conference achieved some of the greatest and most progressive steps ever taken in the field of aviation. Before this Conference there had been two major attempts to organize the world, or portions of it, in the safety and technical fields of aviation. Neither of them had achieved the widespread acceptance necessary to meet the world-wide requirements of civil aviation for the future.

The first and most important of these attempts was the Paris Convention of 1919. Although an original signatory to this Convention, the United States did not ratify it. It was not placed in effect in many imporant regions of the world. The other major attempt was the Habana Convention of 1928. This Convention was expected to apply only in the Western Hemisphere, but it has not been ratified by many important countries in this hemisphere. Each of these Conventions related to safety and technical matters and neither of them undertook to provide in any way for the establisment of commercial air routes. Although each Convention purported to grant so-called "innocent passage" to private aircraft, there was, in many cases, a good deal of red tape involved even in that limited class of international travel.

The Chicago Conference

The Chicago Conference produced, among others, five documents of chief importance which were drafted and opened for signature at the Conference. The first of these was a new Internation Air Navigation Convention. It represents one of the most outstanding contributions in the field of civil aviation ever achieved by an aviation conference and reflects the experience gained under the Paris and Habana Conventions. It represents a strictly modern, up-to-date attempt to provide for order and regulation in the safety and technical fields for all types of civil airplane international operations and, if accepted by the nations, will, for the first time, have organized the whole world with respect to the regulation of these very important matters. In provides for a world organization consisting of an Assembly and a Council. In the Assembly each country is to have one vote. Twenty-one nations are to be represented on the Council, eight of them nations constituting those of chief importance in air transport, five constituting those not otherwise included, which make the largest contribution to the provision of facilities for international civil air navigation, and eight not otherwise included whose election will insure that all major geographical areas of the world are represented. In addition to the jurisdiction of the Council over safety and technical matters, it has certain powers of investigation and reporting in other fields as well. It is also to be the repository for the recording of a good deal of statistical information regarding the operation of international air lines and of international agreements relating to air transportation between nations and between any nation and air lines of other nations.

A second document drafted and opened for signature at Chicago is known as the Interim Agreement. It provides, during the period (not to exceed three years) from now until the time when the International Convention can be properly ratified by the countries of the world, for a temporary or interim world organization similar in structure to that provided for in the permanent convention. The seat of the Interim Council is to be in Canada.

The third is the co-called "Two Freedoms Document." The first of these freedoms is the privilege accorded by each signing nation to the aircraft operated in civil air transportation by each other signing nation to fly in transit through its air space without any additional specical authorization. The second of these freedoms is the privilege accorded by each signing nation to the aircraft operated in civil air transportation of each other signing nation to make nontraffic stops within its territory. The purpose of a nontraffic stop is to take on gasoline and oil, to make repairs, to take refuge from storm, or to meet an emergency. I do not have the time here to appraise accurately the great value of these two so-called "Freedoms." They are really privileges mutually exchanged in order to promote the cause of international air transportation. Suffice it to say that they are, in my opinion, very great steps forward in connection with the establishment of international air routes; and that is true generally and not only with respect to a particular nation's operations. The second privilege, that of nontraffic stop, in effect throws open those important and much discussed air bases built during this war which will be needed for international civil air transportation so far as they do not have to be used exclusively for military purposes.

The important fourth paper produced at Chicago is the so-called "Five Freedoms Document." In addition to including the abovementioned Two Freedoms, this document also includes the right to carry traffic embarked in the home state to any other state in the world (the Third Freedom), the right to pick up traffic anywhere in the world destined to the home state (the Fourth Freedom), and the right to pick up traffic along the route in a foreign state and carry it to another foreign state (the Fifth Freedom). In the exercise of the so-called "Five Freedoms," routes operated thereunder must be reasonably direct out from and back to the homeland.

The fifth document produced by the Chicago Conference is the so-called "Standard Form of Bliateral Agreement." Realizing that, of course, not all countries will adhere to the Five Freedoms Document and that even with respect to those that do so there may well be an interim period during which the international air lines must be operated, some standard clauses for bilateral agreements providing for air routes were developed at Chicago and unanimously recommended by the Conference to all nations for use in any bilateral agreements authorizing such routes. The most important provisions of these standard clauses are: first, that discrimination against any country or its air lines is forbidden; second, the building up of air blocs providing for the exclusive use of air space by any nation in any part of the world is outlawed; and third, the making of international air transport agreements whether between countries or between a country and an air line is required to be filed with the international body and made public. The Conference thus unanimously voted to eliminate the era of secret agreements in the field of international air transportation.

It is too early to prophesy as to the extent to which these agreements will be accepted by the nations of the world. It is not too early, however, to express the very earnest hope and confident expectation that the Interim Agreement will come into force at a very early date. It will do that when twenty-six nations have confirmed their signatures to the United States.

Effect on American Shipping

As we contemplate the establishment of these important international air trade and travel routes of the future, whether pursuant to bilateral air transport agreements between nations or eventually under the Five Freedoms Agreement or under some other international arrangement, it is appropriate to inquire about the effect of these routes on trade and travel by sea.

Mark well the point that in the long run the largest portion of international air transport business will be new business which has never before existed. The railroads had developed yearly average per capita railroad passenger miles in the United States to 114 by 1880; to 350 to 1915. But in a very short time the automobile created a whole new volume of traffic; before the war the average yearly per capita motor vehicle passenger miles were around 1500. Better and faster ships increased foreign travel by United States citizens from around one person annually out of 5,000 to about one out of 350 before the war. We do not know the limit of our capacity to trade and travel as the transportation medium improves and the rates go down. Thus a tremendous growth of entirely new business in international air trade and travel is sure to develop when the enlarged opportunity to use the service comes. And as fast travel becomes available to the business man, his markets and his business expand. Bulk shipments following his business trips will, in all probability, as I shall explain later, go by ship and not by plane, thus enlarging—not diminishing—the business of our Merchant Marine.

I want to make it unmistakably clear that, as I have just indicated, I do not believe that the air trade and travel routes will be the only trade routes of the future over which the commerce of the world will move. Every new form of transportation, as well as creating new traffic, has diverted some traffic from older forms of transportation. To the extent that air transportation diverts traffic from surface vessels, it will initially consist principally of passenger traffic. When a greatly expanded network of world wide airways is available, persons interested in speed who might otherwise travel abroad as first or cabin-class passengers on steamships will have strong motives to go by air. The cost of traveling by air will be competitive with that of first and cabin-class travel by sea; the time saved by air will range from days to weeks; the inducement to travel by air will be compelling; but the first and cabin-class sea travel which is destined to go to the air will, in the long run, be but a minor fraction of the total of international passenger air travel. New air passenger business will constitute the major fraction.

Some limited diversion of ocean cargo to the air will also take place but it will not constitute more than a very small fraction of the sea total, so far as we can now see. Until international air cargo rates can compete economically with ocean shipping rates the percentage of diversion will be small. Of the 7,225,124 tons of exports from the United States to the United Kingdom in 1938, only 260.4 tons, or .004 per cent, bore rates of more than five cents a ton-mile; over one-third of the total tons exported was shipped at less than half a cent a ton-mile. Air cargo rates up to now have been many times higher. It will be a long time, if ever, before air cargo rates will be able even to approach most of the ocean rates. Ocean transport, so long as it remains the cheapest means of freight movement in the world, must be counted upon to continue to transport bulk cargo. Air transportation will be obliged to be content with only a small amount of diverted cargo where time, competitive considerations, or unusual circumstances control the medium of shipment.

Thus, the division of passenger traffic, and the limited diversion of cargo traffic, to the air most decidedly does not mean a destruction of the United States Merchant Marine. Ships will still carry the bulk of the exports and imports of the United States.

In 1938 the United States Merchant Marine consisted of 27,155 vessels having a gross tonnage of 14,651,000. Of this total, however, only 1,575 vessels, having a gross tonnage of 3,550,815, were registered and engaged in the foreign trade. Sixty per cent of the vessels engaged in the foreign trade, representing 54 per cent of the gross tonnage, were in the freight services; 5 per cent of the vessels, representing 14 per cent of the tonnage, were tankers, and 22 per cent of the vessels, representing 3 per cent of the tonnage, had their services classified as dredging, ferry, fishing, oystering, pile driving, towing, wrecking, pilot boat, patrol boat, refrigerator, whaling and miscellaneous. Thus, a total of 87 per cent of the number of vessels, representing 71 per cent of the gross tonnage engaged in the foreign trade, are in services which stand to benefit from an increase in exports and imports brought about by increased world trade which, as I have already indicated, I am certain, will be stimulated by the quickened movement by air of business mail and the swift transportation of business men throughout the world. I would like to stress here that, in my opinion, the new business which will be developed cannot be measured accurately by any formula applied to past business. As I have shown, this acceleration of business activity resulted from railroad operations. It was the same again when the automobile arrived. I prophesy with confidence that history will repeat itself in this respect when the airplane blazes the way for new kinds and volumes of trade.

Two hundred and five, or 13 per cent, of the 1,575 vessels of the United States Merchant Marine engaged in the foreign trade carried passengers; these vessels had a gross tonnage of 1,047,632, or 29 per cent of the 3,550,815 gross tonnage of vessels engaged in the foreign trade. These 1,575 out of the total 27,155 vessels constitute the group which stands to have its first and cabin-class passenger traffic subject to diversion to the air. That may appear to some of you as a large, and to others of you as a small, number of vessels and amount of tonnage to be so affected. Of more interest to me at the moment, however is the fact that to the extent that his diversion to the air is captured by American flag air lines, it will be captured primarily from operators of foreign ships. So far as I know, the facts relating to this and certain related matters were for the first time placed in air transportation perspective in a recent study made by F. H. Crozier of the Civil Aeronautics Board.*

[*Overseas air Service Patterns; Travel Distribution and Composition—All Areas: Report by F. H. Crozier, Chief, Research and Analysis Division, Economic Bureau, Civil Aeronautics Board, Washington, D. C., December, 1944. The material in the next four paragraphs is drawn in large part from this report.]

In the first place, first and cabin-class sea travel constitutes only a portion of the total sea travel. In 1938, there were a total of 1,057,516 overseas sea passengers between the United States and other countries. Four hundred ninety-five thousand, five hundred and seven, or 46.9 per cent, were second, third, or tourist class; 562,009 were first and cabin class. We are dealing, therefore, with the effects of diversion upon roughly 53.1 per cent of the total sea passenger traffic between the United States and other countries. The important fact in this possible diversion, however, is, as I have indicated, that it would not all come from our Merchant Marine.

In 1938, only about 25 per cent of the gross revenue received for transporting passengers between the United States and overseas destinations was received by vessels of United States registry; foreign vessels received approximately 75 per cent of such revenue. This was despite the fact that United States residents were contributing about 70 per cent of the gross passenger revenue in overseas travel between this and other countries. These are general averages. Different areas vary widely. For example, in the transatlantic region, vessels of United States registry secured only 9 per cent of the passenger revenue although United States residents contributed 72 per cent of the total passenger revenue for travel in this area; vessels of foreign registry secured 91 per cent of the passenger revenue at the same time that foreign residents were contributing only 28 per cent of the total passenger revenue for travel in the transatlantic area.

A diversion then of even all first and cabin-class passenger traffic to the air would have its principal effect upon foreign surface carriers rather than upon our own Merchant Marine. If, as first and cabin-class traffic is diverted to the air, United States air carriers step in and capture only one-half of the diverted traffic, there will be a net gain to United States interests. The initiative and resourcefulness of our air carriers should enable us to establish a merchant air fleet in keeping with the importance of the contribution which we make to world passenger travel.

Another important consideration in the penetration of sea by air travel is the probability that the revenues of ships serving United States overseas traffic which is normally attributable to first and cabin-class travel are approximately 8 per cent of the aggregate operating revenues of these carriers. The area of compeition between air and sea in terms of total steamship revenues promises, therefore, to be relatively small in the immediate future.

Air transportation will not destroy ocean shipping or our Merchant Marine. It is not at all improbable that these limited adverse effects upon ocean shipping will never be noticed for the reason that the increased business activity which will be stimulated by air transportation will produce other new traffic in such abundance that the losses will be more than compensated for. Ocean shipping and air transportation are both destined to remain and both destined to grow.

The Supreme Court and the Power of Congress to Regulate Money

(Continued from page 622)

And the "contract clause" was directed at the legal tender, stay, installment and commodity payment acts of the States, laws which materially impaired the obligation of private contracts. These laws were largely responsible for the economic chaos which made a "more perfect union" imperative and the Constitution possible.

Power Without Stated Limits

Not only is the Federal power over money and currency exclusive, it is also without stated limits. The Supreme Court has supported the Congressional exercise of this power with rare consistency. In only one important case did the Court refuse to approve the action by Congress, the case involving the cancellation of the gold clause in government bonds, and then by confessing its inability to restrain Congress it impeached the soundness of its own decision. A recent three-volume work on constitutional law pays tribute to the undisputed authority of Congress in this field by devoting only eight lines to the subject of "Coinage" and commenting significantly that "The authority thus given has been freely exercised by Congress but this legislation has given rise to very few constitutional questions."[6]

As necessary and proper means or tools for the exercise of its money powers, Congress has, with the blessings of the Federal courts: not only chartered a United States Bank for carrying on the money transactions of the government;[7] it has incorporated national banks with authority to issue bills to circulate as money;[8] created a Federal Reserve Banking System providing central cooperative banking under the supervision of a Federal board;[9] established Federal Land Banks and Joint Stock Land Banks (now liquidated) to act as depositaries of public money, to lend money upon farm lands, taking notes and mortgages as security, and to issue farm loan bonds secured by these notes and mortgages;[10] and organized a Federal Deposit Insurance Corporation.[11]

There would seem to be no constitutional objection to the monopolization of the banking field by the national government by bringing all commercial banking institutions into the Federal Reserve System. In this matter Congress has been guilty of acts of omission rather than of acts of commission; it has been too mindful of State sensibilities. The national authority over the subjects of revenue, finance and currency is broad enough to embrace the important functions of every commercial bank.

Broadly stated, the monetary power of Congress is the power to establish a uniform national currency, either in coin or in paper, and to make that currency, dollar for dollar, legal tender for the payment of debts.

The power to coin money and to regulate the value thereof is the power to determine the denominations, the kinds of metals to be used, the metallic content, and the legal tender quality of circulating coins. Bimetallism and the mint ratio of gold to silver have been political issues since our colonial days, that have from time to time materially affected the stability of our monetary system. The Free Silver Movement, resulting in the Bland-Allison and Sherman Silver Purchase Acts of 1878 and 1890, respectively, bear eloquent and disquieting testimony to the scope of the Congressional power.

When, under authority of the Agricultural Adjustment Act of May 12, 1933,[12] and the Gold Reserve Act of Jan. 30, 1934,[13] the President, by executive order of Jan. 31, 1934, reduced the gold content of the dollar from 25 8/10 to 15 5/21 grains, this action was sustained in *Norman v. Baltimore and Ohio Railroad Co.*[14] as an incident of the monetary power, against the charge that creditors were deprived of property without compensation or without due process of law, since debts due them became solvable with less gold than was required to pay them before.

Further, by virue of the coinage power, Congress may impose certain limitations upon the ownership of the monetary metals. These limitations "arise from the fact that the law 'gives to such coinage a value which does not attach as a mere consequence of intrinsic value.' Their quality as legal tender is attributed by the law, aside from their bullion value."[15]

In the exercise of this regulatory authority Congress, in the Emergency Banking Act of March 9, 1933,[16] authorized the President, among other things, to regulate or prohibit the exporting, hoarding, melting or ear-marking of gold or silver coin or bullion or currency by any person in any territory subject to the jurisdiction of the United States. There followed a series of executive orders forbidding the removal from United States territory of any gold coin or bullion, except as prescribed by the Secretary of the Treasury, and requiring all holders to deliver to stated banks, with certain exceptions, all gold coin, gold bullion and gold certificates, in exchange for currency of an equivalent amount but not redeemable in gold. This control of the monetary metals has been sanctioned by the Court.[17]

On June 5, 1933, Congress passed the new famous Joint Resolution declaring that "gold clauses" in private or public contracts obstructed "the power of Congress to regulate the value of the money of the United States," that they were "against public policy," and that, therefore, they were henceforth void both as to existing and future contracts.

This Resolution was held valid as applied to private contracts, and by implication as applied to contracts or obligations of States and political subdivisions thereof, "that is, to such engagements as are within the reach of the applicable national power."[18] Gold clauses in such contracts were held to be contracts for the payment of money, not coin as a commodity or bullion, and were intended to afford a definite standard or measure of value as a protection against a depreciation of the currency. Such contracts, therefore, interfered with the Congressional policy for a currency having a uniform legal value in all the States, and "when contracts deal with a subject matter which lies within the control of the Congress, they have a congenital infirmity." If valid, such contracts would create a dual monetary system.

The Congressional resolution and the majority opinion of the Court were denounced by Mr. Justice McReynolds, with Justices Van Devanter, Sutherland and Butler concurring. In a vitriolic oral peroration from the bench, the intransigeant McReynolds declared that "The Constitution is gone."[19] In another fiery oral dissent in a "gold clause" case in 1937, McReynolds declared for himself and Justices Sutherland and Butler that "In our opinion, this judgment sanctions a fraud, gives effect to an act of fraud, and in our opinion is a straight-out repudiation of an honest obligation."[20] In short, in their opinion, the Congress, the President and a majority of the Court conspired to debase the dollar and to destroy "valid rights lawfully acquired" in flagrant violation of the due process clause. Thus the divine right of judges to censor and to cesure is exercised in the name of due process and under authority of a Constitution which is supposed to establish independent, co-equal departments of government.

But the Joint Resolutions of June 5, 1933, was held invalid so far as it applied to obligations of the United States, that is, government bonds. In an opinion in which there is much confusion as to the nature of sovereign power, the Court held that a government bond is an inviolable contract of the United States made by the Congress under the authority to borrow money on the credit of the United States. To say, as did Mr. Chief Justice Hughes, quoting Mr. Justice Strong in *Knox v. Lee*, that "The United States are as much bound by their contracts as are individuals" just is not true, not even morally speaking, since repudiation might conceivably be for the greater public good, and the State, not the individual, is the guardian of the public welfare. "When the *United States*," said the Chief Justice, "with constitutional authority, makes contracts, it has rights and incurs responsibilities similar to those of individuals who are parties to such instruments. There is no difference, . . . except that the United States cannot be sued without its consent" and "The fact that the United States may not be sued without its consent is a matter of procedure which does not affect the legal and binding character of its contracts."[21] But the fact that a State cannot be sued without its consent is *not* a mere matter of procedure—it is a basic attribute of sovereignty. To say that there is a legal right without a legal remedy—that there is no difference between an obligation that is enforceable and one that is not—that sovereignty can bind but not unbind—are strange doctrines. Any agreement between the sovereign state and its people can bind the State only in a moral sense. Mr. Justice Stone, dissenting, was on much firmer ground when he said:

> I . . . do not join in so much of the opinion as may be taken to suggest that the exercise of the sovereign power to borrow money on credit, which does not override the sovereign immunity from suit, may nevertheless preclude or impede the exercise of another sovereign power, to regulate the value of money; or to suggest that although there is and can be no present cause of action upon the repudiated gold clause, its obligation is nevertheless, in some manner and to some extent, not stated, superior to the power to regulate currency which we now hold to be superior to the obligation of the bonds.[22]

As an aftermath of this ruling, the Fourth Federal Circuit Court of Appeals in Richmond, held in April, 1937, that a holder of a Government gold clause bond could not be required to surrender the bond when called unless the Government was prepared to redeem at full gold value, and that the Treasury was obligated to pay the contractual 3½% interest rate on such bond.[23] It would be interesting to know how this court would enforce its judgment against the Treasury in the face of an Act of Congress directing the Treasury to stop payment.

The gold clause decision led to considerable speculation here and abroad as to how foreign holders of United States (Liberty) bonds could collect in gold or its equivalent. Such persons might have assigned their holdings to their governments for collection through diplomatic channels. But a diplomatic agreement to pay in gold would require Congressional approval; and an agreement to permit suit in the Supreme Court would have left the judgment of that Court unenforceable except by Congressional action or by war. The only practical remedy open to foreign investors was to sue in the United States Court of Claims and that remedy could be withdrawn by Act of Congress. The bond issues were floated in the United States, not abroad, and called for payment of gold at the Treasury of the United States. So even if they had been paid in gold coin, the bondholders would have been required to turn the gold back to the Treasury and would have received in return therefor an equivalent amount of currency based upon the devalued dollar.

Mr. Justice Stone's conclusion seems inescapable, therefore, that the invalidation of the gold clause in both private and public contracts or obligations was a constitutional exercise of the "sovereign

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[6] W. W. Willoughby, *The Constitutional Law of the United States* (Baker, Voorhis and Company, New York, 1929), Vol. II, p. 1100.

[7] *McCulloch* v. *Maryland*, 4 Wheat. 316 (1819).

[8] *United States* v. *Bank of Georgia*, 10 Wheat. 333 (1825).

[9] *First National Bank* v. *Fellows*, 244 U. S. 416 (1917), sustaining Acts of 1913, 38 *Stat.* 251, 262, c. 6; *Hiatt* v. *United States*, 4 F. (2d) 374 (1925).

[10] *Smith* v. *Kansas City Title and Trust Co.*, 255 U. S. 180 (1921), sustaining Act of 1916, 39 *Stat.* 360, c. 245, amended 1918, 40 *Stat.* 431, c. 9.

[11] *United States* v. *Doherty*, 18 F. Supp. 793 (1937).

[12] 48 *Stat.* 51.

[13] 48 *Stat.* 337.

[14] 294 U. S. 240 (1935).

[15] *Ibid.*

[16] 48 *Stat.* 1.

[17] *Notz* v. *United States*, 294 U. S. 317 (1935). See also *Ling Su Fan* v. *United States*, 218 U. S. 302, 310, 311 (1910).

[18] *Norman* v. *Baltimore & Ohio R. Co.*, 294 U. S. 240 (1935).

[19] See New York *Times*, Feb. 19, 1935.

[20] *Ibid.*, Dec. 14, 1937.

[21] *Perry* v. *United States*, 294 U. S. 330, 351, 352, 354 (1935). *Cf. Smyth* v. *United States*, 302 U. S. 329 (1937).

[22] *Ibid.*, p. 361.

[23] See New York *Times*, April 7, 1937.

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Secretary Morgenthau Answers Bankers' Report on Bretton Woods

(Continued from first page)

In view of the importance of this conference and the conflicting attitude of the bankers associations and the officials of the Treasury Department, we are giving below excerpts from the stenographic report as released by the Treasury Department.

Question. What do you think of the bankers' statement on Bretton Woods?

Mr. Morgenthau: Well, I read it rather hastily in the papers and I haven't had a chance to digest it. I am sorry that they saw fit to give the statement out. We here in the Treasury have been working with some 15,000 banks over the past 11 years, but particularly closely during the war, and I think that I can say unhesitatingly that the banks have done a fine job during the war.

Now, along comes a committee of bankers associations representative of those we have seen and talked to, and I pointed out to them that if they made a statement along the lines criticising what was done at Bretton Woods, the net result would be that if their advice was listened to it would simply kill it.

Now, a great deal of very, very hard work has gone into this, not only by all of the financial agencies in the Government but by a great many consultants and practical and successful bankers. After all, one of the outstanding bankers in the country, Edward Brown, President of the First National Bank of Chicago, was a delegate, and was most helpful in the formative period, before Bretton Woods, at Bretton Woods, and since then. He is for the measure as it stands now, as are all the other delegates as far as I know.

Q. Is he a member of the ABA?

A. He is not only a member of the ABA but he is past President, and he also is Chairman of the Advisory Committee to the Federal Reserve Board, which has a statutory position under the Federal Reserve Act. He is Chairman of that. And there are other bankers and banking associations, but the thing that bothers me and which I talked about to these gentlemen just as hard as I know how, and I talk to you people now, is this: After all, this is the first agreement among 44 nations on any economic issue that will go to Congress. The rest of the world is sitting back and watching the United States take the leadership. Of course this is not a perfect instrument. Nobody expects that. You can't get 44 people, let alone 44 delegates, to sit down and agree on a document and not have a certain amount of give and take, and in this meeting the smallest nation had as much to say as the largest nation, as it should.

Wants No Amendments

But the important thing which I believe, and which those people who partook in Bretton Woods believe, is that we get something like this started. They gave the League of Nations the kiss of death by suggesting amendments, and that is the easiest way to do the same thing with Bretton Woods, and these people know that, because I took great care to point it out myself, and it has been proven, as far as I am concerned, that people in the international banking business cannot run successfully any foreign exchange markets. It is up to the governments to do this in behalf of their people, and that is one of the things which we propose to do, if and when the various legislative bodies approve Bretton Woods.

I just hope that when the time comes for all of us to testify, that representatives of the banking community will see just a little bit further than their own immediate business, and will realize that no instrument of this kind can be perfect, and that they will in the final analysis endorse Bretton Woods.

Q. Whew!

A. Does that mean good or bad?

Q. Awful good.

A. Anyway, I feel it very, very strongly.

Q. I would like to hear you talk about this when you get a chance to digest it, Mr. Secretary. I think you said you hadn't had a chance to do that yet.

A. I haven't, but I will. I am scheduled to speak in Detroit where I will be introduced by Congressman Jesse Wolcott before the Detroit Economic Club, and I will have a chance to speak there on the 26th, but before that I speak before the St. Louis Chamber of Commerce on Feb. 14, both times on Bretton Woods.

Q. February 14?

A. St. Louis, so I have two chances.

Q. The 26th, did you say, in Detroit?

A. Detroit, the 26th—the Detroit Economic Club. I speak in St. Louis on Feb. 14—St. Louis Chamber of Commerce—so I have two opportunities.

Q. Are you going to try to schedule some other talks before this goes up on the Hill?

A. I don't know. I think what other talks I have scheduled this month—that is about all I can handle.

Q. Do you make copies of these two addresses?

A. Yes.

Q. Mr. Secretary, they have reports from neutral capitals, particularly from Basle, Ankara and Stockholm, that German business men——

A. What did you say before Ankara?

Q. Basle, that German business interests are trying to contact Allied business interests, and I assume American business interests are involved, to see what peace terms they could get. Have you heard anything about that?

A. Well, I can answer this one truthfully. I haven't. Normally those kind of questions go to the State Department, but I can truthfully say I haven't.

Q. Thomas H. McKittrick, former President of the Bank for International Settlements, got a visa from the State Department and went to Switzerland on a nondisclosed mission. Has he returned to the United States or is he still over there? He went last October, I believe.

A. Well, I don't know. I have had no communication with him. Has anybody here had any?

Mr. Bell: I haven't heard anything about him returning.

Mr. Morgenthau: Mr. White?

Mr. White: I think he is still in Basle, as far as I know. He is still over there. You recall at Bretton Woods the nations adopted a resolution originally that there will be an investigation of the bank for International Settlements and to force liquidation, and there was a compromise, and they agreed to liquidate it. And Mr. McKittrick was former President of the Bank for International Settlements and a close friend of Montagu Norman. In other words, so far as I know he is still President.

Mr. Morgenthau: As to whether Nick's facts are right as to what we did in Bretton Woods, I don't know whether you stated it right or not. I don't think you did, but just identifying the fellow for me, well, as far as I know, McKittrick is still head of the Bank. I don't know where he is. I have had no communication with him recently.

Q. I wonder if someone else can help us on this McKittrick affair?

A. What is the McKittrick affair?

Q. In view of these peace moves by German business men, I wonder if there is any connection with BIS and these rumors?

A. You better ask the State Department.

Q. You don't want to comment?

A. I have answered you frankly. We have had no connections or overtures of any kind here. I will say this now, if you come around next week, I won't answer the question because those questions should be directed to the State Department. O.K.?

Q. Then we'll get back to Bretton Woods.

A. Suits me.

The Bankers Report

Q. You say along comes a committee of bankers associations. Is this to be interpreted as merely a committee report of ABA, or does the Association stand behind it? I gathered from the newspaper stories this is being put out as the view of the whole Association.

A. As I understand it, and I think it is correct, this was a committee, which I think is a standing committee.

Q. On economic policy?

A. And this report which they have made has not been voted on or referred back to the ABA as a whole.

Q. That's the way I understand it.

A. And that goes for all of these associations who are incorporated in this report.

Q. That's right.

A. Here is a committee which is fairly interlocking, too, and they make this report without, as I understand it, having referred it back to have it voted on by their particular associations.

Q. Your argument, Mr. Secretary, I assume, is that at their last meeting they asked that this committee make a report, but they haven't been voted back.

A. Here is a group of a dozen men, more or less the same in these various organizations. They make this as a report, which at the most is the 25 men.

Q. About 25?

A. At the most.

Q. Did they seek Mr. Brown's advice before they prepared this report?

A. I don't know. I am sure he has been in touch with them and worked—two or three members of this association came and talked to me.

Q. Can you name the members?

A. No. That is not particularly important. They were the heads.

Q. Heads of the group?

A. I would rather keep it off, but what I told you, ladies and gentlemen here, the best I can remember is pretty much what I told them.

Q. Mr. Secretary, have you received any letters from other bankers outside, speaking for themselves only, showing any trend of thought? That is, in connection with this?

A. Oh, yes.

Q. In addition to Mr. Brown?

A. Oh, yes. I believe, as far as I know, the only association that has taken action is the Association of the Pennsylvania State Bankers. They have acted favorably.

Now, I don't know of any other association which has acted as an association. Do you, Harry?

Mr. White: Not bankers, but there must be some forthcoming.

Mr. Morgenthau: As to bankers.

Mr. White: A lot of individual bankers have.

Congressional Action

Q. Mr. Secretary, how soon will it be possible to bring legislation before Congress incorporating it?

Mr. Morgenthau: As I understand it, they made very good headway. This legislation is in the hands of the bill-drafting people in the House and Senate who are working together. Now, it is up to the Senate, or to Mr. Wagner and Mr. Spence to decide when they are ready to introduce this legislation. The next move is theirs. The legislation is being drafted by them with consultation with the Treasury and State and the Federal Reserve. The next move is theirs. It is their ball, and they will have to decide when they are going to throw their lot into the arena.

Q. Mr. Secretary, I notice Winthrop W. Aldrich of the Chase National Bank, perhaps the most vociferous opponent of Bretton Woods, is also a member of the committee in your cursory study of the thing. Does the report represent Aldrich's views?

A. I couldn't say which is his and which is somebody else's.

Q. Do you have enough evidence to express an opinion on whether this report represents the majority opinion in ABA?

A. I wouldn't know.

Bankers' Advice Would Kill Proposals

Q. You said in your remarks that, as you pointed out to them, if they made a statement criticizing the Bretton Woods findings, the net result, if their advice was listened to, would be to simply kill it.

A. That's right.

Q. Do I interpret that correctly as meaning to kill the whole thing, including the bank? It would simply kill it? Are you speaking of the Fund or the whole Bretton Woods agreement?

A. I think the chances are that it would kill the whole thing.

Q. They have made such a report now and you mean that has killed it then?

A. No, I said if their advice was listened to—I don't think it is going to be listened to—I hope not, anyway.

Q. Mr. Secretary, a good many months ago you mentioned an educational program that you expected to have in conjunction with the Treasury to more or less sell Bretton Woods to Congress and to the public. Have you seen any fruits of that campaign or do you feel that sentiment generally is more or less behind the plan?

A. Well, I think that a lot more work has got to be done. I am making these two speeches and Mr. White has made a lot of speeches as well as people in his office. E. M. Bernstein has been around and we have all gone, I don't know how many, but I suppose one hundred one or one hundred and fifty different contacts have been made in places where we have been invited to come and explain it, and we will continue to do so. But as one of the representatives from the Netherlands said, in their country about 40% of the people's livelihood depends on export-import trade. Every child knows pretty much about it. If 3% or 4% in this country are interested in export trade, that is high. And the people by and large don't understand the sort of thing that Bretton Woods really is, because it is too remote, so we have got to a great deal of work.

Congressional Hearings

I think these hearings on the Hill will be most illuminating, and I think they will be helpful. We hope the press and radio people will assist in explaining it.

Q. In the event that Congress listens to the American Bankers Association, and they have their way, do you think it would be advisable to call another conference of the Finance Ministers of the different nations?

A. I am not that defeatist. I am not that defeatist on the thing. I am quite hopeful about what is going to happen. The only thing that has been disappointing is this committee. I thought that their horizon would be a little bit more broad than it was.

Q. Do you think by wrecking this thing the bankers want to keep control of the foreign exchange markets, or the Tripartite monetary agreement?

A. I will let you do the writing and the supposing.

Fund's Loans Misinterpreted

Q. Mr. Secretary, as a point of information, one of the principal arguments presented in this report, of course, says that when nations would draw currency from the Fund that would constitute a loan, and it is not set up on sound lending or credit principles. Now, I have also heard such a procedure defined as purchasing currency, because the countries put their own currency back in in place of that, I believe. Which in your opinion comes closer to expressing that technical transaction, a loan, or purchase of currency?

A. I will let Mr. White answer that.

Mr. White: It is correctly purchasing currency. It is an exchange of one country's currency for that of another. It is precisely the same type of operation you have in the Stabilization Fund. It is exchange of one country's currency for that of another.

Q. Then, according to that view, it wouldn't need to be set up under established principles of credit for lending money. Is that your opinion?

Mr. Morgenthau: I am not quite sure.

Mr. White: There are a lot of considerations involving a country's buying foreign exchange. It is not the same as a loan. There are a lot of other considerations that have to be taken at the time of the decision. A lending operation is a much simpler operation than a stabilization operation. And to characterize the stabilization operation, as described in the Fund as a lending operation is to miss four-fifths of the characteristics of the Fund, four-fifths of the powers.

Mr. Morgenthau: What I want to say—that is a pretty detailed question, and I don't know how much the rest of you want to go into it, but Mr. White is available to any of you if you want to ask detailed questions on that, which I don't think enter into this report particularly, but I may be wrong. But if any of you do want to, he will be available after this meeting is over.

Q. It would seem to me that that is the basic argument against the lending operation; it is not set up on sound principles. Therefore, I just wondered if I could quote you as saying that they have miscontrued it by interpreting it as purely a lending operation.

A. I will have Mr. White answer that.

Mr. White: Many of the considerations that would enter into the extension of a loan would also have to be considered in granting permission to a country to purchase foreign exchange, but there are a number of other considerations which would have to be analyzed and weighed.

Mr. Morgenthau: It isn't as simple as that. I mean, there are other things in this report that are—I think you are oversimplifying it. I know you are trying to be helpful.

Q. I am not trying to be helpful, sir, I am trying to get your reaction to that basic point of their report.

A. Then I differ with you. I don't think it is basic.

Fund a New Approach

Q. All right. I felt that a basic part of the report was that they felt this was something novel for which there was no precedent in international banking proceedings and, therefore, it was no good. I felt this was a novel situation, and a novel way of approaching it, and I wondered if you cared to comment on that.

A. I would be very glad to, and to be helpful. Of course, it is novel in the sense that it is new, and the methods which have

Must Sell Consumers $145 Billion of Goods to Create 57 Million Jobs

(Continued from page 620)

top economists on that point range from the depths of prolonged depression and unemployment to utopia itself.

"But I am going to be so bold as to change that statement and venture my belief that our post-war level of economy will itself depend largely on how good a job we do through vigorous and intelligent selling, marketing and advertising in expanding the consumer demand for goods and services. This belief can be supported by facts which show that a real and tangible opportunity faces this nation to develop and maintain a high level economy with maximum employment—an economy which will be capable of providing, for the great mass of our population, a standard of living fully double our pre-war level."

"When I refer to a high level economy I am asking you to raise your sights to a goal considerably above the figures commonly used—to a national production of goods and services of $200 billion annually in terms of current 1945 prices compared with pre-war peaks of about $100 billion reached in 1929 and again in 1940—to a national income of about $168 billion compared with pre-war 'prosperity' levels of around $80 billion—to consumer expenditures for goods and services of $145 billion compared with about $70 billion—to a retail trade of over $100 billion compared with $50 billion—to an employment of 57 million persons, excluding our peacetime army, compared with 46 million employed in 1940—and to a median family income of about $50 per week compared with pre-war levels of $25 per week, an income justified by the greater productivity per man which has been demonstrated during the war.

"This is in no sence a prediction that these levels of production and consumption will be reached and maintained after the war, but close analysis will show that they really are attainable and that anything less may not be acceptable to our workers and returning soldiers.

"The figures may sound fantastic—just as fantastic as any belief at the time of Pearl Harbor that we could add almost $100 billion of war production without drastically reducing our overall production for civilians. In fact, a leading group of economists, in January, 1942, predicted that the war production program would necessitate a reduction in the average standard of living in the United States to the lowest of depression levels of 1933 with sales of goods and services at slightly over $50 billion, whereas, in actuality, consumers have increased to an all time peak of over $97 billion their purchase of goods and services, and at the same time have produced war materials in unprecedented volume.

Labor Force

"First, let's look at the labor force. As of October, 1944, the civilian labor force total stood at approximately 53 million, and adding the 12 million in the armed forces brings the total labor force to 65 million compared with 55½ million in 1940. Because this wartime total labor force is greater than would have been reached by the normal increment since 1940 the estimates of the number who will want employment after the war vary quite widely. I do not believe our population will be satisfied with anything less than 57 million civilian job opportunities—this is after allowing for an expanded peacetime army of 2 million or 3 million which would set a total goal of 59 million to 60 million employed. Even this means that 5 million to 6 million of the present labor force would have to retire voluntarily or be unemployed.

—Labor Force And National Product—

	Pre-War 1929	1940	War Peak 1945 (est.)	Post-War Opportunity
Total Labor Force—Millions	49.6	55.5	65	62
Civilian Employed—Millions	46.4	46.0	52	57
Civilian Unemployed—Millions	2.9	8.9	1	3
Armed Forces—Millions	0.3	0.6	12	2
Total National Product—Billions	$99	$97	$205	$200
National Product Per Employed Civilian	$2,100	$2,100	$4,000	$3,500

"Is it possible in peacetime for us to reach and maintain this goal of 57 million civilian jobs—11 million more than we employed in 1940? If we don't, the demands of the people on government will most certainly lead to serious economic disturbances. But that goal of 57 million peacetime jobs is not beyond what is needed to meet our own potential market for goods and services—a market that can be developed through utilizing our newly demonstrated ability to produce.

"We have, during this war, demonstrated that our productive ability per man is far higher than had been utilized or even suspected under pre-war conditions. In two peak pre-war years 1929 and 1940 we employed about 46 million persons and produced just under $100 billion of goods and services or at the rate of $2,100 per employed civilian. The 52 million civilians now employed are producing goods and services of about $200 billion per year or about $4,000 per man—almost double pre-war. (The price level as measured by cost of living is now approximately the same as in 1929 but about 26% above 1940.) On the basis of a 40-hour week, therefore, instead of the present average near 45 hours we have demonstrated we can produce at the rate of $3,500 per man.

"Now, if we return after the war to the 1940 level of $100 billion of total production of goods and services, as many think will be inevitable, our economy will be faced with the very serious consequences of two alternatives—or a combination of these:

"1. Spread the work or 'make work' for 57 million people—which would lower our average productivity per man to the lowest of depression levels with a serious cutting of our standards of living, or

"2. Allow a limited number of people to produce at their demonstrated capacity to produce—in which case only 28 million employed would be all that would be needed to produce for the whole economy, leaving around 30 million unemployed.

"It is almost unthinkable that we should allow either of these conditions to exist. For one thing our 12 million returning soldiers and sailors will not be of a temperament either to stand for the widespread unemployment of the last depression or to be content to subsist on a dole.

"Wage rates cannot be reduced substantially without widespread labor unrest. In fact, there will be strong resistance to any lowered weekly earnings, even through reduced overtime.

"Taxes cannot be reduced to pre-war levels since we will need to carry a national debt that probably will reach $300 billion or over, as well as to continue an expanded peacetime army and many other government expenses which history indicates will be difficult to eliminate. A low estimate of the post-war annual needs of government, both Federal and local is $28 billion compared with $11 billion in 1929—a stifling burden at any pre-war level of under $100 billion of productivity, but a burden that could be handled nicely with an economy based on our demonstrated ability to produce at levels of $200 billion.

"With the increased wage and tax levels, business profits would soon be non-existent under conditions of a return to pre-war levels representing an overall drop of volume to half of present levels—and if business profits disappear for any extended period so, too, will disappear the opportunity for employment in private industry regardless of promises and good intentions.

"It is entirely possible that we may return to pre-war levels of lower productivity, high unemployment and lowered standards of living, but if we do it will be because we lack the vision, courage and will to take advtange of the opportunity which our war production has brought to light. This remarkable record of production—the 'know how' that has made possible doubled overall production—calls for a revision of all former estimates of what is possible or desirable and points clearly to the opportunities for a real upsurge in the standards of living of our population to reap full benefit of this productivity."

Future National Income

After explaining his chart which exhibited our possibilities of increasing production and income, Mr. Johnson concluded that "it is perfectly possible for production at efficient employment of 57 million persons to provide consumers in the United States with sufficient income to expand their purchases to $145 billion annually—the amount they must consume to support a $200 billion economy."

"Again speaking of fantasy," said Mr. Johnson in referring to the future growth of the national income, "does a post-war opportunity to attain a national income of $168 billion seem incredible? Only to those who believe we are an aged, fully matured, nation headed for decadence or those whose perception has been dimmed by the ten long years of pre-war depression. Look at our record of increased productivity by 20 year periods back to 1850. In none of these periods have we failed approximately to double our national income. From $2 billion in 1850 our national income increased to over $80 billion in 1929.

Growth of U. S. National Income — By 20 Year Periods

	National Income (Billions)	Per Cent Increase Over 20 Years	National Income Per Capita
1850	$2.2	--	$95
1870	6.7	204%	174
1890	12.1	81	192
1910	30.7	154	333
1930 (1929 figures)	81.1	164	668
(1945 estimated)	(160.0)	--	(1,160)
1950 Post-War Opportunity	168.0	107	1,160

"Our 1945 national income of approximately $160 billion is the equivalent of $1,160 per capita for the 137½ million population which compares with $668 in 1929 and with $95 in 1850."

Marketing Efforts

Pointing out that enlarged production and increased national income does not of itself create demand and that marketing and advertising efforts must be used to raise living standards, Mr. Johnson said that it would be "a serious fallacy to believe that the demand is automatic if the income is available. The standards of living of different income groups shown in the chart is a development over a period of years. They reflect different levels of social and educational achievement. There are more college graduates and more high school graduates in the $50 per week group than in the $25 per week group The tastes and measures of satisfactory achievement differ between the groups.

"This, then is the job of post-war advertising and marketing—the major task of changing the living habits and standards of the great masses of our population so that consumption can catch up with the great strides we have made in production ability and so that we can benefit through increased productivity per man through having, for each family, more of the goods and services that give human satisfaction.

"Let us assume for the moment that advertising and selling have accomplished the goal of changing the living standards and desires of the $25 per week family to those of the $50 per week family, can the market thus created really give employment to 57 million people at wage rates that will provide the revenue to buy $145 billion of consumer goods and services?

"Keeping in mind the fact that the consumer and his possible demand represents the real key to our employment problem and the possible level of our economy I have carried through an analysis, industry by industry, of the effect of raising our standards of living to an economy typified by the $50 per week family. In this I have assumed that the demonstrated increased productivity of labor should be compensated by annual earnings at least as great in each industry as the present levels.

"As an example, food, beverages and tobacco manufacturing employed 1,310,000 workers in 1940 with annual wages and salaries of $1,761,000,000 of $1,348 per employee. In wartime (taking the full year 1943) this industry has increased the average annual earnings to $1,876 per employee and is employing 1,480,000 workers. Presumably this increase in earnings per worker is justified by greater productivity in terms of total industry sales per employee. The study of the $50 per week family showed an increase of 74% in dollars spent for food and tobacco compared with the $25 per week family. Applying this to the post-war opportunity in a $200 billion economy would indicate an increase of 74% in total dollar sales of the industry, hence, without increasing the labor cost as a percentage of sales the industry could pay approximately $3,100,000 in wages and salaries in the post-war. At $1,900 per employee—approximately the present levels rather than a decrease to 1940 levels—this would provide employment for 1,650,000 workers or 340,000 more than in 1940 and 170,000 more than at present."

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been in practice heretofore, to my way of thinking, have failed. Now, what are you going to do to bring about a stabilization of world currency? They have recommended they want, to use the word novel, a new approach, that the Governments will do this to take away the risk, handle it for the banks; they will remove the risk and absorb the risks.

Now, if you want to use that, that is a new approach. I think it is an approach worth trying; all previous methods have failed, with the result of financial chaos in a great many countries, and I don't see how these small countries that have been over-run by the enemy are ever going to get started on an economic recovery unless we have something very similar to Bretton Woods. They are never going to get out of the depressing situation they are in now. If we are going to help these countries to help themselves, I think on the financial front Bretton Woods is the answer, and it has to come first, and it has to come very, very soon.

Weissman Publishes Economic Program For Small Business

(Continued from page 624)

ficers will be managed by nine directors. Three are to be appointed by the President of the Federal Reserve bank in the district where the office is situated, with the proviso that two must have business experience outside of banking. Three are to be named by the stockholding banks, with arrangements for group voting on the appointments, so that the banks of various size-classes are represented equally. Three are to be designated by the Board of Governors of the Federal Reserve System, with the requirement that two of them have a background of investment banking. In this way the organization will be endowed with a quasi-public character. And as part of the Federal Reserve System, it will have access to the excellent statistical resources of the Board and the Reserve banks, and its policies will be co-ordinated with the general credit and monetary policies of the Reserve authorities.

"Although the institution will not be a government agency, it will still have the prestige of the Federal Reserve System behind it. This is not the place to argue the general merits and defects of government agencies; proper evidence on the matter will be insufficient until the agencies created in recent years have existed for a longer period. Needless to say, it is presupposed Section 13b of the Federal Reserve Act will be repealed.

"The Federal Reserve Investment Corporation will have authority to make loans and purchase preferred stock, with no restriction other than the rules and regulations to be adopted by the Board of Governors of the Federal Reserve System. There should also be a provision that no investment in any one corporation is to exceed $1,000,000. In adopting these conditions the Board of Governors should be guided by the declaration of Congress that the purpose of the new corporation is to aid in the financing of small and medium-sized business."

The author maintains strongly that there is need for Federal action to aid smaller business concerns. He analyzes the effects of taxes, anti-trust provisions and patents as an aid and a hindrance to small business operations. Tax incentive measures seem to have his approval. He asserts that the Sherman Act "has been a failure" (p. 115). The monopoly of big concerns arising from their control of patents has seriously handicapped small concerns. The Federal Trade Commission and the Clayton Act "have not fulfilled early expectations." He sees a need for direct "guidance by government bureaus to small business concerns." He suggests Federal incorporation of industrial concerns. And, what is probably a more practical proposal, he urges a further study of the problems. "Except for private studies, admittedly incomplete," he says, "the collection of economic and statistical data has only just begun. The reasons for business failures have not been surveyed with proper detail. The data on births and deaths of business are inadequate. Analysis of financial statements and credit conditions is fragmentary—there is need for further guidance in the field."

The Supreme Court and the Power of Congress to Regulate Money

(Continued from page 643)

power to regulate the value of money." The action was legal, let others challenge its wisdom.

Prior to the Civil War the monetary powers of Congress were confined to the creation of the First (1791-1811) and Second (1816-1836) Banks of the United States, and the issue by the mint of gold and silver coins, the only forms of money recognized by the Government as legal tender. The Treasury did not issue any circulating notes. The only bank currency in circulation was issued by State banks and the First and Second United States Banks. But under the pressure brought on by the financial crisis created by the Civil War, Congress began to exert its powers on an ever-widening scale. In 1862 and 1863 Congress issued credit money, bills of credit, popularly known as Greenbacks. I am not here concerned with the tragic consequences of the Legal Tender Acts, but only with their constitutionality. They led to a series of cases in the Supreme Court, the net result of which was a judicial declaration recognizing an unstaked Congressional monetary power.

Mr. Justice Gray, speaking for the Court, held:

> **Congress, as the legislature of a sovereign nation, being expressly empowered by the Constitution, "to lay and collect taxes, to pay the debts and provide for the common defense and general welfare of the United States," and "to borrow money on the credit of the United States," and "to coin money and regulate the value thereof and of foreign coin"; and being clearly authorized, as incidental to the exercise of those great powers, to emit bills of credit, to charter national banks, and to provide a national currency for the whole people, in the form of coin, Treasury notes, and national bank bills; and the power to make the notes of the Government a legal tender in payment of private debts, being one of the powers belonging to sovereignty in other civilized nations, and not expressly withheld from Congress by the Constitution; we are irresistibly impelled to the conclusion that the impressing upon the Treasury notes of the United States the quality of being a legal tender in payment of private debts is an appropriate means, conducive and plainly adapted to the execution of the undoubted powers of Congress, consistent with the letter and spirit of the Constitution, and, therefore, within the meaning of that instrument, "necessary and proper for carrying into execution the powers vested by this Constitution in the government of the United States."[24]**

The War has posed new monetary problems, such as the proposed international bank and the supplying of a currency for occupied territory. Whatever steps will be taken by our Government involving foreign states will be by virtue of the war and foreign relations powers, and not in the exercise of the power to coin and regulate the value of money. I anticipate no judicial interference here. The war and foreign relations powers are political powers in the highest sense, since they have their common source in the law of self-preservation. Inflexible judicial rubrics are not adaptable to political crises. This is the area of political discretion *par excellence*. While it is possible to conceive of acts under these powers which would lead to judicial interposition of constitutional limitations, it is not probable that any government would commit such acts. The President and the Congress, no less than the Court, are mindful of their duties and of constitutional purposes. That either or all of them may falter in the performance of their duties is, of course, admitted; but the judicial formulary offers no mode of escape from official dereliction.

Furthermore, the Court has given wide latitude to these powers, suggesting that they may not be governed by the principle of limited or enumerated powers. In the Curtiss-Wright case the Court said:

> The powers to declare and wage war, to conclude peace, to make treaties, to maintain diplomatic relations with other sovereignties, if they had never been mentioned in the Constitution, would have been vested in the Federal Government as necessary concomitants of nationality.[25]

And in *Missouri v. Holland*[26] the Court implied that the treaty-making power is limited only by specific prohibitions, that is, that this power is not restricted to enumerated powers. And in *United States v. Arjona*,[27] the Court held that Congress has the power to pass any law which is appropriate to the enforcement of any obligation of the United States under international law. One of these obligations, said the Court, was the protection of the securities of a foreign state against acts of fraud within the United States, and the Court quoted with approval the following passage from Vattel:

> There is another custom more modern, and of no less use to commerce than the establishment of coin, namely, *exchange*, or the traffic of bankers, by means of which a merchant remits immense sums from one end of the world to the other, at very trifling expense, and, if he pleases, without risk. For the same reason that sovereigns are obliged to protect commerce, they are obliged to support this custom, by good laws, in which every merchant, whether citizen or foreigner, may find security.

That an international bank, such as provided for in the Bretton Woods proposals, is an appropriate constitutional means to this end is, I believe, without question.

As Commander-in-chief of the army and navy the President "may invade the hostile country, and subject it to the sovereignty and authority of the United States,"[28] and he may establish provisional governments in the invaded territories. Following the conquest of Upper California, in the war with Mexico, President Polk, in 1874, as Commander-in-chief, authorized the military commander in California to form a civil government, make port regulations, and impose import duties for the support of the military government. These orders of the President were held to be "according to the law of arms and the right of conquest."[29] President Lincoln, by executive order, established a Provisional Court in Louisiana in 1862. This court ruled that its existence depended on "the law of nations, and on that part of the law of nations relating to war."[30] And President McKinley, in the exercise of his military powers, issued an order to the Secretary of War, July 18, 1898, giving instructions for the government of conquered Santiago de Cuba.[31]

A provisional government necessarily includes a currency system, such as the "occupation currency." This is not a part of the currency of the United States, but it may be exchanged for American dollars at a rate prescribed by the Treasury presumably in the name of the military authorities. It can be made either a part of or the sole local currency, and so can be made legal tender *within the occupied territory*.

Are there, then, no Constitutional limits to the money powers of the National Government? I am not prepared to say that there are not, for not even Jeremiah would have jeopardized his reputation as a prophet by forecasting the limits of due process of law—and I am not clairvoyant. But when the Three Horsemen—Nazism, Fascism and Communism—are done with their riding, our part in the rebuilding of a demoralized world cannot be circumscribed by Constitutional limitations that embody Herbert Spencer's Social Statics.

As money will be the activating agent in the work of reconstruction, domestic and foreign, the money power may find new uses. For instance, we have observed earlier that the quality of legal tender, attributed by legislative fiat, gives to money, coin and paper, "*a value* which does not attach as a mere consequence of intrinsic value." But this value is affected by the scarcity of the monetary metals, the credit rating of the Government, and by a multitude of other factors. May Congress, therefore, under the guise of improving the credit of the Government, go into business on a large scale? or, for the purpose of stabilizing the purchasing power, the commodity value, of the dollar, embark upon a comprehensive program of price control?

These and other powers equally shocking to the individualist, lie within the undefinable precinct of political discretion. Their proper exercise waits on the emergency which may mean action or injury to the public welfare. Economic salvation, as conceived by the people in their organized political capacity, cannot be unconstitutional. The people may embrace unorthodox or even heretical doctrine in their search for economic salvation, but the Constitution does not guarantee the wisdom of political action, and it does not embody any particular economic theory, whether of paternalism or *laissez faire*.

Conclusion

There are some governmental powers that cannot be hedged about by legal restrictions without danger to the public welfare. Such powers are most effectively controlled through the ballot. There is a tendency to confuse power with policy, and to reason that if there is power it is likely to be abused. Therefore, power must be denied, or judicially strait-jacketed within the due process clause. But to assume that Congress will abuse its power, in the words of Mr. Chief Justice Stone, "hardly rises to the dignity of argument. So may judicial power be abused." And Mr. Chief Justice Marshall pointed out that "All power may be abused; and if fear of its abuse is to constitute an argument against its existence, it might be urged against the existence of that which is universally acknowledged, and which is indispensable to the general welfare.[32]

We would be well advised to put greater emphasis on the protective value of the franchise and less on constitutional limitations. A democracy cannot thrive in the enervating atmosphere of *stare decisis*, it cannot live in a state of judicial pupilage, no matter how wise the judges may be. It must be free to make social experiments uninhibited by its past, if it is to develop the self reliance, the self discipline, without which the democratic process degenerates into some alien liberty-destroying "ism." With the wisdom of such experiments the judge should have the interest of the citizen only, not of the censor.

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[24] *Julliard* v. *Greenman*, 110 U. S. 421, 449-450 (1884). See also *Legal Tender Cases*, 12 How. 457 (1870).

[25] *United States* v. *Curtiss-Wright Export Corporation*, 299 U. S. 304, 318 (1936).

[26] 252 U. S. 416 (1920).

[27] 120 U. S. 479, 484 (1887).

[28] *Fleming* v. *Page*, 9 How. 603 (1850).

[29] *Cross* v. *Harrison*, 16 How. 164 (1853).

[30] *United States* v. *Reiter*, Provisional Court, State of Louisiana, Federal Case No. 16, 146 (1865). See also *The Grapeshot*, 9 Wall. 129 (1869).

[31] J. B. Moore, *A Digest of International Law*, Vol. VII, p. 261.

[32] *Brown* v. *Maryland*, 12 Wheat. 419, 439-440 (1827).

Tomorrow's Markets Walter Whyte Says—

(Continued from page 622)

chances are you won't hear anything more than the usual glittering generalities for a long time to come.

* * *

But so far all the foregoing has no immediate bearing on the stock market. Or maybe it has. I haven't made up my mind yet. For underneath all the action, and lack of confirming action, the market is making encouraging signs. The industrial averages, for example, have just made a new high. Though the rails seem to be out of it. But even that shouldn't come as a surprise to readers of this column. They were warned of that at least a month ago.

* * *

But if the rails have gradually become bashful the utilities are becoming precocious. That too wasn't unexpected by readers. A few weeks ago the position of that group was discussed here when attention was called to the action of two stocks, Consolidated Edison, then at 24 and Public Service of New Jersey at about 17. Currently these are selling at 27 and 20 respectively.

* * *

Last week I indicated that a new list of recommendations would be given here if market action warranted. Here it is:

Buy Allis Chalmers between 40½ and 41½; stop 39.

Buy American Bank Note between 23 and 24; stop 22.

Buy National Lead between 25 and 26; stop 24.

Buy Socony Vacuum between 15 and 15½; stop 14½.

Buy American Radiator between 12½ and 13½; stop 11.

You had an old stop in Glenn Martin at 22. During the week it got to 21⅞ but bounced right back again. Your profit in this one wasn't much to speak about. As a matter of fact with commissions and taxes the chances are that if you sold when it broke 22 you got out just about even. Particularly if it was an odd lot.

Three weeks ago I casually threw out a few stocks which I felt would do okay if the market retained its equilibrium. I didn't stress them for a good reason. In case you bought them, and for the record, I list their prices and names:

American Crystal Sugar about 18⅞, stop 18. Currently about 19.

American Steel Foundries about 28, stop 27. Currently about 30.

Baldwin Locomotive about 26, stop 25. Current price about 28.

Crucible Steel about 38, stop 35. Current price about 42.

That about completes the list. I think both action and volume will now tend to increase. However, don't be surprised if you first see a period of dullness. For oddly enough both action and dullness are indicated. So the chances are you may see both.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Financial Advertisers Elect Norcross Pres.

At the annual meeting of the New York Financial Advertisers, Theodore W. Norcross of the Bank of New York was elected President for 1945. Other officers elected were William Huckel of the Chase National Bank, First Vice-President; P. Raymond Haulenbeek of the North River Savings Bank, Second Vice-President; Lee C. Horney of the New York Post, Secretary, and Edward B. Sturges II of Edward B. Sturges II, Inc. was elected Treasurer.

Directors for the year are: Merrill Anderson of the Merrill Anderson Company, Dorcas Campbell of the East River Savings Bank, George E. Kirby of the Greenpoint Savings Bank, John J. Lawlor of the National City Bank, Louis S. Lebenthal of Lebenthal & Company, Richard Meyer of the Wall Street Journal, Frederick G. Rudge of William E. Rudge's Sons, Inc., Ruel S. Smith of Time, Inc., Harold L. Whittaker of the Brevoort Savings Bank and William T. Wilson of the American Bankers' Association.

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Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, FEB. 8

CARRIERS & GENERAL CORP. has filed a registration statement for $1,872,000 15-year 3¾% debentures due Feb. 1, 1960. Net proceds from the sale with other funds will be utilized for the redemption in March, next, of $1,872,000 15-year 5% debentures due Nov. 1, 1950, at 105 plus accrued interest. Underwriters are Paine, Webber, Jackson & Curtis, $1,272,000; Eastman, Dillon & Co., $400,000; H. C. Wainwright & Co., $100,000, and Brush, Slocumb & Co., $100,000. Filed Jan. 20, 1945. Details in "Chronicle," Jan. 25, 1945.

SATURDAY, FEB. 10

DALTON HOTEL CORP. has filed a registration statement for 4,932 shares of common stock (par $5). The shares are to be issued in exchange for a like number of units of beneficial interest in the Dalton Hotel Liquidation Trust. No underwriters. Filed Jan. 22, 1945. Details in "Chronicle," Jan. 25, 1945.

MONDAY, FEB. 12

SENTINEL RADIO CORP. has filed a registration statement for 150,000 shares of common stock (par $1). Of the total 75,000 shares are being sold by corporation and 75,000 shares by Ernest Alschuler, President, Treasurer and Director. Company will add its share of proceeds to its working capital to be used in general to finance operations, inventories and accounts receivable incident to the company's business. The underwriters are Blair & Co., Inc., Sulzbacher, Granger & Co., Maxwell, Marshall & Co., Shillinglaw, Crowder & Co., Inc., Brailsford & Co. and Straus & Blosser. Filed Jan. 24, 1945. Details in "Chronicle," Feb. 1, 1945.

TUESDAY, FEB. 13

TRI-CONTINENTAL CORP. has filed a registration statement for $7,360,000 3½% debentures due Feb. 1, 1960. Net proceeds will be used, together with other funds of the company, to redeem $2,460,000 5% convertible debentures, series A, at 103½ plus interest and to retire $4,900,000 of bank loans. Underwriters are Union Securities Corp., Blyth & Co., Inc., Goldman, Sachs & Co., Hornblower & Weeks, Kidder, Peabody & Co., Mellon Securities Corp., Stone & Webster and Blodget, Inc., W. C. Langley & Co., A. C. Allyn & Co., Inc., Reynolds & Co., E. H. Rollins & Sons, Inc., McDonald & Co., Ames, Emerich & Co., Inc., Boettcher & Co. and Kuhn Loeb & Co. Filed Jan. 25, 1945. Details in "Chronicle," Feb. 1, 1945.

WEDNESDAY, FEB. 14

NORTHERN PENNSYLVANIA POWER CO. has filed a registration statement for $4,000,000 first mortgage bonds due 1975. The bonds are to be sold under the Commission's competitive bidding rule, with the interest rate to be named by the successful bidder. The proceeds will be used to redeem securities as follows: Sayre Electric Co., $182,000 first mortgage 5% gold bonds due 1947 at 105, and Northern Pennsylvania, $1,369,900 first and refunding mortgage gold bonds, series A, 5% at 102½ and $2,089,600 first and refunding mortgage gold bonds, 5% series due 1962 at 105. Proceeds with other funds of the company also will be deposited with the trustee under the mortgage to the extent of $358,500 to be withdrawn by the company for new construction or to be used in the retirement of new bonds. In addition the company would establish at Dec. 31, 1944, a reserve of $875,000 by charges to surplus for the purpose of absorbing write-offs as may be required by regulatory authorities, and any writedowns deemed appropriate by the management. Filed Jan. 26, 1945. Details in "Chronicle," Feb. 1, 1945.

THURSDAY, FEB. 15

CENTRAL TELEPHONE CO. has filed a registration statement for 35,000 shares of $2.50 cumulative preferred stock, series A (no par), stated value $50 per share. All of the shares registered are issued and outstanding and are owned by Central Electric & Gas Co. (parent). Paine, Webber, Jackson & Curtis and Loewi & Co. are underwriters. Filed Jan. 27, 1945. Details in "Chronicle," Feb. 1, 1945.

A. P. W. PRODUCTS CO., INC., has filed a registration statement for $2,000,000 20-year 5% first mortgage sinking fund bonds and 40,000 shares of capital stock (par $5). Company is offering the holders of its $2,000,000 20-year 6% first mortgage sinking fund bonds due April 1, 1948, the privilege of tendering their bonds for redemption as of April 1, 1945 at 102½ and interest, or, in the alternative, to assent to an extension offer providing for the extension of the maturity date to April 1, 1965 and the reduction of the rate of interest to 5% per annum and to receive in consideration for such extension $25, the amount equivalent to the 2½% redemption premium, and in addition 20 shares of the company's $5 par value common stock. The extension offer will expire at noon Feb. 26, 1945. Bonds not tendered for extension will be redeemed at 102½ and accrued interest to April 1, 1945. After the expiration of the extension offer, an amount equal to the unextended 6% bonds are to be offered to the public by the underwriters at the initial offering price of $1,000 "per unit" consisting of $1,000 20-year 5% first mortgage sinking fund bond and 20 shares of $5 par value common stock. The underwriters are Allen & Co., Bond & Goodwin, Inc., E. W. Clucas & Co., R. H. Johnson & Co., Schoellkopf, Hutton & Pomeroy, Inc., Buckley Brothers, George R. Cooley & Co., Inc., Brailsford & Co., and Ferris, Exnicios & Co., Inc. Filed Jan. 27, 1945. Details in "Chronicle," Feb. 1, 1945.

HERFF JONES CO. has filed a registration statement for 60,000 shares of class A preference stock, par $1. The shares are issued and outstanding and do not represent new financing.

Address—1411 North Capitol Avenue, Indianapolis, Ind.

Business—Manufacture of emblem jewelry and graduation announcements.

Offering—The offering price is $10 per share.

Proceeds—The proceeds will be received by the selling stockholders. The stockholders and the amounts of stock being sold are as follows: Harry J. Herff, 29,000 shares, Howard A. Intermill, 16,000 shares, T. B. Gerber and Orpha Gerber, 7,500 shares each.

Underwriting—Cities Securities Co., Indianapolis, is the principal underwriter.

Registration Statement No. 2-5576. Form S-2. (1-27-45).

SATURDAY, FEB. 17

ACME ALUMINUM ALLOYS, INC., has filed a registration statement for 185,000 shares of common stock (par $1) and 40,000 shares of $1.10 cumulative convertible preferred (par $17.50). Of the shares registered 40,000 shares of preferred and 40,000 shares of common are to be offered by the company and 40,000 additional shares of common by certain stockholders. The registration covered 25,000 shares of common stock issuable upon the exercise of warrants and 80,000 shares of common are reserved for issuance in connection with the conversion rights of the preferred stock. The offering price of the preferred stock is given at $20.75 per share and of the common at $8 per share. The proceeds from the sale by the company of 40,000 shares of preferred and 40,000 shares of common will be added initially to the working capital of the company. Principal underwriters are Reynolds & Co., and Gillen & Co. Filed Jan. 29, 1945. Details in "Chronicle," Feb. 1, 1945.

MONDAY, FEB. 19

ARGUS INC. has filed a registration statement for 3,000 shares of $100 par $5 cumulative employes profit-sharing preferred stock.

Address—Ann Arbor, Mich.

Business—Manufacturer of radios and cameras, etc.

Underwriting—No underwriter.

Offering—At $100 per share to trustee of employees profit sharing savings retirement fund of registrant.

Proceeds—For working capital.

Registration Statement No. 2-5578. Form S-1. (1-31-45).

TUESDAY, FEB. 20

RUSSELL BERG FUND, INC., has filed a registration statement for 40,000 shares of capital stock.

Address—Room 1608, 75 Federal Street, Boston, Mass.

Business—Investment company.

Underwriting—Russell, Berg & Co.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5579. Form S-5. (1-1-45).

WEDNESDAY, FEB. 21

BENDIX HELICOPTER, INC., has filed a registration statement for 1,400,000 shares of capital stock, par value 50 cents.

Address—50 Rockefeller Plaza, New York City.

Business—Incorporated for the purpose of developing and manufacturing helicopters and parts therefor for military, commercial and private use.

Offering—Of the shares registered 1,000,000 are to be offered presently proportionately to the holders of the corporation's outstanding stock on the basis of four additional shares for each five shares held at $1.60 per share. Of the total, 200,000 shares are reserved to be issued when, as and if certain outstanding options granted by the corporation are exercised, and 200,000 additional shares are reserved to be issued when, as and if certain stock option warrants to be issued by the corporation to the underwriters are exercised. Such shares of stock as are not subscribed for by the stockholders will be offered to the public by the underwriters at $2 per share.

Proceeds—The proceeds will provide the corporation with sufficient working capital to carry out the corporation's program for the development and manufacture of Bendix helicopters, and provide the corporation with the facilities and working capital to accept orders.

Underwriting—Kobbe, Gearhart & Co., Inc., and Bond & Goodwin, Inc., are named principal underwriters.

Registration Statement No. 2-5580. Form S-1. (1-2-45).

NEW YORK STOCKS, INC., has filed a registration statement for 1,000,000 shares of special stock.

Address—48 Wall Street, New York City.

Business—Investment company.

Underwriting—Hugh W. Long & Co., Inc., is named principal underwriter.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5581. Form S-5. (1-2-45).

THURSDAY, FEB. 22

SAVANNAH-ST. AUGUSTINE GAS CO. has filed a registration statement for 6,250 shares of 5% cumulative preferred stock, par $100, and 30,000 shares of common stock, par $10.

Address—Savannah, Ga., and St. Augustine, Fla.

Business—Public utility.

Offering—The offering price of the preferred stock is $100 per share and that of the common $15 per share.

Proceeds—The proceeds will be used to retire the bonds outstanding of the St. Augustine Gas Co. at $103—the call price, to pay the purchase price of the properties of Savannah Gas Co. being acquired by the registrant at an estimated cost of $2,145,000 and to pay the cost of new construction estimated at $125,000.

Underwriters—Clement A. Evans & Co., Inc.; Johnson, Lane, Space & Co., Inc.; Robinson-Humphrey Co.; Courts & Co.; Varnedoe, Chisholm & Co., Inc.; Putnam & Co.; Kirchofer & Arnold, Inc.; Milhous, Martin & McKnight, Inc., and J. H. Hilsman & Co., Inc.

Registration Statement No. 2-5582. Form S-1. (1-3-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $300,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

ARKANSAS-MISSOURI POWER CORP. has filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974. Proceeds together with general funds of the company to the extent required, will be used to redeem, at 105, of $2,350,000 first mortgage bonds, series A, 4%, due June 1, 1965, of the company. The bonds will be offered for sale at competitive bidding. Filed Dec. 4, 1944. Details in "Chronicle," Dec. 7, 1944.

CENTRAL OHIO LIGHT & POWER CO. has filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment. The company proposes to invite proposals for services to be renedered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred, and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer. The 11,972 shares of new preferred are to be issued to retire the outstanding $6 preferred shares. The exchange offer is to be on a share for share basis plus a cash adjustment. Company will call for redemption the unexchanged shares, subject to the consummation of the sale to underwriters of the stock to be sold. The proceeds from such sale will be applied in part to the redemption of any such unexchanged shares. The redemption price of old preferred stock will be $110 per share plus accrued dividends. Filed Dec. 28, 1944. Details in "Chronicle,," Jan. 4 1945.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

Registration statement withdrawn Jan. 17, 1945.

DELTA AIR CORP. has filed a registration statement for 102,424 shares of common stock (par $3). It is expected that proceeds will be used in the acquisition of additional flight, communications and other equipment, the construction of hangers, the purchase of machinery, and other facilities in connection, with its present routes, and such new routes as may hereafter be acquired or participated in by the company. Courts & Co., Atlanta, Ga., is the principal underwriter. Filed Jan. 10, 1945. Details in "Chronicle," Jan. 18, 1945

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5) Shares are to be offered for subscription to present stockholders of record May 31 1944, on a pro rata basis at $8 per share Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

GENII CORP. has filed a registration statement for 1,868 shares of common stock. Company plans to sell the securities registered direct to the public without the assistance of underwriters or dealers. Offering price to the public is $100 per share. Proceeds will be applied to building and improvements, machinery and equipment etc. Balance will be used for working capital and reserve for contingencies. Filed Dec. 23, 1944. Details in "Chronicle," Jan 4, 1945.

GERMANTOWN FIRE INSURANCE CO has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

KING-SEELEY CORP. has filed a registration statement for 100,000 shares of 5% cumulative convertible preferred stock ($20 par). Proceeds will be used for repayment of $214,393 3½% notes, due Aug. 30, 1945, the acquisition of all of the remaining outstanding shares of common stock of Central Specialty Co. or otherwise to acquire the business and assets of Central, to improve its own and Central's plants and for additional working capital. Offering price to public $20 per share. F. Eberstadt & Co., and Watling, Lerchen & Co., are named principal underwriters. Filed Jan. 17, 1945. Details in "Chronicle," Jan. 25, 1945.

LINCOLN PARK INDUSTRIES, INC. has filed a registration statement for $250,000 6% ten-year debentures maturing Nov. 1, 1954. Debentures to be offered directly by the company at par and interest. Not underwritten. Proceeds for additional working capital. Filed Sept. 27 1944. Details in "Chronicle," Oct. 5, 1944

NATHAN STRAUS-DUPARQUET, INC., has filed a registration statement for 25,000 shares of 6% cumulative convertible preferred stock, par $25. The shares are issued and outstanding and do not represent new financing by the company. To be presently offered at $25.75 per share, 19,592 shares. Allen & Co. are named principal underwriters. Filed Jan. 16, 1945. Details in "Chronicle," Jan. 25, 1945.

(This list is incomplete this week)

Post-War Tax Imponderables

(Continued from first page)

of course, advocates relief from wartime rates.

"But as everyone also agrees that tax relief must not impair the value of the dollar, we should not, as is too often the case, lose sight of the economic background behind currently suggested tax changes."

Turning to the economic and fiscal problems following the war, Mr. May said that "by the end of this fiscal year our Government debt will reach the stupendous total of $250 billion and by the end of the war will presumably grow to at least $300 billion. So further Federal deficits after the war surely must be avoided and current expenses must be balanced by the Government's income from taxation. Hence the rate and kind of your tax bill must depend first on Government expenses and, second, on the state of business activity, and the resulting pool of national income from which the tax money is extracted. Looking at these factors, the present writer is strongly convinced that current expectations of post-war tax relief are extremely over-optimistic and wholly unwarranted by the probabilities.

"Let us first consider the expense side of our Federal Government. Of course there are many imponderable and unpredictable elements, such as the length of the European and Japanese wars, our domestic economic philosophy, the permanent expense of our post-war military forces, benefits to veterans of this war, public works expenditures, subsidies to agriculture, and relief to foreign countries.

"In any event, the budget estimates in the current popularly publicized fiscal plans contemplate Federal expenses that give jitters even to the so-called 'spenders' of the 1930s. The Ruml-Sonne as well as the Twin Cities plans are based on budgets of $18 billion. The Committee for Economic Development thinks that they may be kept at $16 billion, and the former Treasury General Counsel, Randolph Paul, as a 'realist,' foresees the possibility of a $25 billion annual expense.

"Now, the coverage of these expenses by the revenue side depends on the business activity and the national income from which taxes must come. As the premise for reductions in present taxes, it seems to me that post-war business activity is being anticipated at a fantastically high rate. For, measuring business activity by national income, the latter is prophesied by the leading authorities at anywhere from $125 billions by Twin Cities to $170 billions by Henry Wallace. Messrs. Ruml and Sonne base their proposal for abolition of the tax on corporations, repeal of the excess profits tax, and reduction of rates on personal taxation, all on an assumption of a post-war national income of $140 billion."

"But," Mr. May continued, "can we blandly assume and base our tax plans on post-war activity great enough to produce a national income of $140 billion or anywhere near it?

"This $140 billion figure assumes a drop of only about 10% from our present war-boom activity—a **doubling** of our income in the prewar year 1939—an annual rate of increase triple that of the roaring 1920s. Prediction of only such small reduction from the wartime rate of activity is made in the face of the peacetime withdrawal of the Government from its present role of **the** huge customer taking almost $100 billion of annual war purchases. With the military establishment withdrawing as buyer, will we be able to stabilize industrial activity at anywhere near our present wartime rate—with production triple the 1933 figure and 70% above 1940? With or without Mr. Wallace's help, will we be able to provide peacetime jobs in excess of the 53,000,000 labor force which is providing our enormous wartime needs?

"A national income of $140 billion implies the conversion of almost all our war production to peace production; 100% employment, and a standard of living 50% greater than in the 1930s.

"Expectation of such unprecedented peacetime activity is based on the assumption that we have during the war years been **under**-consuming civilian goods in the aggregate—thus leaving a great void of demand to be made up. But actually isn't this assumption of current overall starved consumption of civilian goods unwarranted?

"It is not realized that, as Department of Commerce figures officially show, consumers' wartime expenditures have been actually running far in **excess** of prewar years. Consumers are now spending at the rate of $93 billion a year, against only $60 billion in 1939 and $65 billion in 1940. Sales of food and apparel stores are now over double the 1935-1939 average; in 1943 production of women's and children's apparel was 20% higher than in 1939, and even of all kinds of apparel for men, boys, women and children, production was practically the same as 1940. So where is the aggregate peacetime demand to fill the post-war hole left by the withdrawal of the hundred billions of war-inflated expenditure, and relied on to cause a post-war spending spree?

"So I submit that all plans for the manner and amount of post-war taxation should be considered in the light of far closer scrutiny of prospective industrial activity, amount of employment, prices, and the resultant national income whence the tax revenue to pay Government expenses must come!"

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The rise in the government bond market, which continued unabated last week, would lead one almost to conclude that the budget had been balanced and the Treasury at long last had begun to retire debt. . . . Since such a condition will not prevail for a long time, it is the considered opinion of money market experts that the government bond market has now reached levels, where it is advisable to pause and take stock of the situation. . . . As yet there is nothing in the way of concrete indications from the Treasury that during the next War Loan there will be offered a six-year 1¾% bond instead of an eight-year 2% obligation, or that the 2½% issues, will be eliminated and a long 2¼% or 2⅜% bond offered in place of it. . . .

Quite to the contrary, there appears to be considerable unanimity of opinion in informed circles that the series "E," "F" and "G" Savings Bonds and the long 2½% obligations are certainties in the next War Loan. . . . There may be some lengthening of the maturity of the 2½% bonds, by two to four years, but this minor extension of the maturity will make practically no difference to the insurance companies and the savings banks. . . .

MARKET INDICATIONS

With reference to the intermediate term obligations, the market seems to indicate that it is looking for a change in coupon, since the 2% bonds with approximately a six-year maturity to the call date, have advanced to levels that show yields of less than 1.75%. . . . A six-year 1¾% bond if offered during the next War Loan and dated either May 15 or June 1, with a definite maturity, would be due on May 15 or June 1, 1951. . . .

Assuming this to be the case, it is indicated that the 2% due 9-15-51-53 at 101 22/32 to yield 1.72% and the 2% due 12-15-51-55 at 101 20/32 to yield 1.74% are at levels where future appreciation is limited. . . .

On the other hand, these issues with substantial premiums compared with a 1¾% bond at 100 would no doubt be sold in order to reinvest the funds in the lower coupon, lower premium issue. . . . The same condition would seem to be applicable to the 2% due 6-15-52-54 and the 2% due 12-15-52-54. . . . If the ending of the European phase of the war should result in unsettlement in the government bond market, and the next War Loan should be scheduled during such a period, there undoubtedly will be no change in the type issues from those offered in the Sixth War Loan. . . . Under such conditions the market would be in for some sharp price changes. . . . It has been stated that the Seventh War Loan will take place in either May or June, with indications that the new issues to be offered in the drive will be payable either May 15 or June 1. . . .

PROFIT AFTER INTEREST

Based on the assumption that May 15 would be the pay date for the new drive issues, the interest run off between now and May 15, for a 2% bond is equivalent to 17/32. . . . If one sold the 2% due 9-15-51-53 at 101 22/32 the profit above the loss of interest would be 1 5/32 points; on the 2% due 12-15-51-55 at 101 20/32 it would amount to 1 3/32 points; on the 2% due 6-15-52-54 at 101 16/32 it would aggregate 31/32, and on the 2% due 12-15-52-54 at 101 13/32 it would total 28/32. . . . With a June 1 pay date for the new drive issues the interest run off between now and June 1 for a 2% bond is equal to 20/32. For the 2% due 9-15-51-53 if sold at 101 22/32 the profit after allowance for the loss of interest would be 1 2/32 points; on the 2% due 12-15-51-55 at 101 20/32 it would aggregate 1 one point; on the 2% due 6-15-52-54, at 101 16/32 it would amount to 28/32, and on the 2% due 12-15-52-54 at 101 13/32 it would be equivalent to 25/32. . . .

THE INTERMEDIATES

If the new intermediate term issue to be offered in the next drive has a 2% coupon, it would probably be available in the market at a price of about 100 9/32, the level at which the 2% due 12-15-52-54 traded, when the Sixth War Loan ended. . . . The premium of 9/32 to be paid for the new issue would have to be deducted from the profit realized through the sale of the outstanding 2% bonds. . . .

Should the new intermediate term drive issue be a 1¾% obligation the premium would probably not exceed 5/32 and this would be deductible from the gains obtained from the sale of the 2% issues. . . .

For a 2½% bond with a May 15 pay date the loss of interest from now until that date would be equivalent to 22/32, whereas with a June 1 payable date, the loss of interest would equal about 25/32. . . . The 2½% due 3-15-66-71 if sold at present levels of 101 13/32 would show a profit of 23/32 over the loss of interest to May 15, and a gain of 20/32 above the loss of interest to June 1. . . . Since the holders of these issues will no doubt be able to secure these bonds again at 100, there is no need to make any allowances for a premium on this obligation. . . . Accordingly, many informed followers of the government bond market believe that the price at which the 2% and 2½% bonds are selling above the loss of interest to the Seventh War Loan, together with the allowance for premiums for the new issues, is the speculative phase of the market, and this part could be very susceptible to uncertainties that appear from time to time. . . .

DIVERGENT BANK TREND

Since the end of the Sixth War Loan, the New York Federal Reserve district member banks, and the member institutions in the other Federal Reserve districts have shown divergent trends in their operations in the government bond market. . . . The reporting member banks in the districts outside of New York from Dec. 20, 1944, up to and including Jan. 21, 1945, have been buyers of government bonds each week, with purchases amounting to $614,000,000. . . . The member banks in the New York district during this period have been sellers on balance with sales amounting to $90,000,000 as against purchases of $68,000,000. . . .

These figures indicate that the member banks in the outlying districts have been among the principal beneficiaries in the rise in the government bond market, since they have not been sellers of these obligations during the uptrend in prices. . . .

The New York City reporting member banks also during the period from Dec. 20, 1944, to Jan. 31, 1945, sold more government bonds than they bought, with sales amounting to $120,000,000 compared with purchases of $116,000,000. . . . From the week ended Dec. 27, 1944, up to and including Jan. 10, 1945, these banks sold $120,000,000 of government bonds. . . . The rise in price in the 2% due 6-15-52-54 and the 2% due 12-15-52-54, during that period amounted to 5/32. . . . It was reported that the New York City banks had taken profits in their bond holdings during this period, because it was believed at that time that the market had moved ahead too rapidly. . . .

However, the market did not react, and these banks were again buyers, with purchases in the last three weeks amounting to $110,000,000, of which $70,000,000 was reported for the week ended Jan. 31. . . .

From Jan. 17, to the end of last week the 2% due 6-15-52-54 have advanced 24/32, while the 2% due 12-15-52-54 have moved ahead 25/32. . . . It is indicated that the New York City member banks purchases last week were largely responsible for pushing many of the government bond issues into new high ground.

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John Jay Phelps

Mr. Phelps, who was born in Paris in 1861, came to this country at an early age. He received his education at Yale and graduated with the class of 1883. During the Spanish-American War he served as a Lieutenant in the Navy, and in the first World War he commanded a squadron of submarine chasers.

He has long been interested in yachting as a hobby, and sailed around the world soon after leaving college. Mr. Phelps is a member of numerous Audobon, Forestry, Natural History and Geographic organizations.

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Reg. U. S. Pat. Office

Volume 161 Number 4358 New York, N. Y., Thursday, February 8, 1945 Price 60 Cents a Copy

The Financial Situation

It is still far from certain what the ultimate repercussions of the nomination of Mr. Wallace (and the manner of the nomination) will be. The President's strange letter to Mr. Jones is still a subject of much debate. Apparently, many people take the meaning of this epistle to be many things, and their reactions are about equally varied. It still appears all but certain that, whatever the President's real intentions, he has created a situation in Congress which he could scarcely have foreseen and certainly not desired. One result—but by no means the only one—appears to be a virtual certainty that Mr. Wallace will not enter the Administration precisely as he and his friends apparently expected. The President is a resourceful man, however, and it would be rash to assume that what Congress now does in this matter will be the be-all and the end-all of the matter. Indeed Mr. Wallace himself and his chief political backers, the so-called CIO-PAC, are but little less determined men.

Wallace Only a Part

It is, of course, clear that Congress will serve the country well if and when it refuses to permit Mr. Wallace to have control of that vast nexus of lending and spending, the RFC and subsidiaries, either now or at any time. It would serve it still better if in addition it took such steps as are available to make certain that the President is unable to accomplish about this same thing in some other manner. If further it also refused to make the former Vice-President Secretary of Commerce under any circumstances, it would earn the full gratitude of an uneasy nation. Congress must not, however, permit its attention to become so fixed on Mr. Wallace that it fails for a moment to bear in mind the fact that the real importance of this whole issue finds its source in a situation of which Mr. Wallace is but a part—and it may be a rather unimportant part.

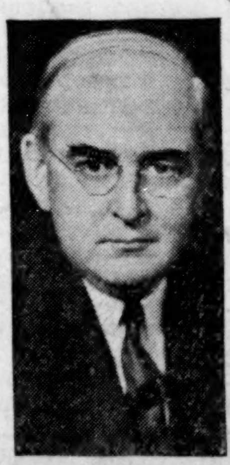
(Continued on page 652)

Fraternity For Peace Indispensable

By HON. ARTHUR H. VANDENBERG*

U. S. Senator from Michigan

Amplifying His Recent Speech in the Senate, Senator Vandenberg Again Urges the United States Announce Its Attitude Regarding a World Security Organization. Calls for the Practical Application of the Atlantic Charter and Upholds the Dumbarton Oaks Formula for International Conciliation. Says President Has Constitutional Power to Use Military Force, but Insists "the Genius of Dumbarton Oaks Is the Substitution of Justice for Force!" Holds National Self Interests Can Be Maintained Under a Security Pact.



A. H. Vandenberg

With deepest gratitude, I thank you for your generosity to me upon this fine occasion. Under pressure of the times in Washington, I rarely have an opportunity to get back to home, sweet home, during these days and nights which try the souls of men and test the fate of nations. You may understand, therefore, why I so deeply appreciate your hospitality. I shall respond by gratefully taking advantage of the occasion to tell you what is in my heart regarding the dedications which must be closest to yours.

One: America must win this war as swiftly and conclusively as possible, and no interruptions to the supply lines which sustain our intrepid soldier sons can be tolerated for a single, bloody instant. Two: America must seek a peace which justifies this sacrifice and martyrdom, which searches for justice as a substitute for force, and which plans a free world for free men.

Announce American Policy

In the time at my disposal I concentrate upon this latter aim.

We have relative unity in this fraternity of battle. We sometimes drift dangerously away from a kindred but equally indispensable fraternity for peace. It is our responsibility to see to it that if this unity-for-peace disintegrates, it is not our America which shall be held at fault when the books of history are balanced. In my view, we cannot serve this solemn function by further silence in respect to our attitudes. That silence confuses our Allies. It often provides them with the reason which they plead to justify unilatereal decisions which collide with our ideals. It may dangerously invite the conclusion that our silence gives our own consent by default. It even confuses our own people who frequently cry out in anguish for the definition of our aims. It is time for us to say what we will do. It is time for us to say what we will not do. And it is time for us to start the doing.

That is my theme tonight.

As a basis for our thinking, let me lay down a few fundamentals. The first is the recognition of a physical fact. Since Pearl Harbor, the ghastly countenance of war has become more sinister than ever before in the nightmares of the human race. The awful science of mass murder has made more progress — what a word! — in three cruel years than in all the centuries since time began. And this new science is only in its lethal infancy. Contemplate the robot bomb in its maturity! Contemplate the refinements of "jet propulsion" when it still further reduces this foreshortened world to an intimate neighborhood! Contemplate a war of push-buttons in which human flesh and blood are at the mercy of mechanized disaster! I need not labor the point.

This war, God knows, is bad enough. But world war number three will open new laboratories of death too horrible to contemplate. I propose to do everything within my power to keep those laboratories closed for keeps. I make this pledge in the name of humane common sense. But more than that, I make it in the name of American self-interest. Times have changed. The oceans are no longer moats around our ramparts. Once upon a time Detroit could wait for the enemy to get to Windsor. In the next world war, an enemy half way around the globe will be just as close. No nation hereafter can immunize itself by its own

(Continued on page 654)

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*An address by Senator Vandenberg before a meeting of the Variety Club of Detroit, Michigan, Feb. 5, 1945.

From Washington Ahead of the News

By CARLISLE BARGERON

It is now beginning to develop that Mr. Roosevelt must not have seen the ramifications of his appointment of Henry Wallace as the Federal loan czar. The general belief in Washington, engendered particularly by his crude letter to Jesse Jones, has been that he, or at least, the men around him, would like to get rid of both of them.

Carlisle Bargeron

At this writing, he has got rid of Jones and if Wallace is to remain in the official picture at all, which with the final outcome is doubtful, he will be in a position of innocuous desuetude. But the situation is developing from there to the point where Congress seems determined to get a conflict with him on many things. His action has opened up a Pandora's box for the New Deal. Congress seems now in the mood to take advantage of the controversy aroused about Wallace, to make one grand lunge to get back a large part of its power which, ever since 1933, it has turned over to the executive branch.

What we have in mind is that ever since 1943, a lot of citizens' groups, calling themselves Taxpayers' Leagues, and on this one proposition, at least, working under the guidance of a national group called the National Citizens' Committee, of which John W. Hanes is the head man, has been becoming increasingly active against Big Government—the Government Trust, as a political twist on the Power Trust, a term on which so many politicians have ridden to success, and whatever other terms might be appropriate.

They have been hammering home with varying degrees of success in the vast propaganda din to which the citizens are being subjected these days, the fact that the Government has so many "corporations" functioning, that no one agency or no one official in the Government can enumerate them. Many of these big businesses are incorporated in various States. They are running high, wide and handsome as private businesses like U. S. Steel, with little or no Government check on them, with no Congressional check on them.

There are some 50 of them. A Senate committee headed by Senator Byrd of Virginia, reported in August of last year, that it had found 44. In a study made in May of the previous year by the National Citizens Committee, and as

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Supports Alexander Wilson's Views On Isolationism

Berkeley Williams of Richmond, Va., Disagrees With Mr. Lightbowne's Criticism in the "Chronicle" of Jan. 25 of Alexander Wilson's Article, "Are Americans Isolationists?"

Editor, "Commercial and Financial Chronicle":

Berkeley Williams

If I understand the English language, the men in our combat forces I hear from are telling me that if, when and as they get back and have anything to do about it, this country will mind its own business in the future. The voices of those returning G.I.'s will be the voices of authority and discussion of the question "Are Americans Isolationists?" by us here at home may, therefore, be academic, but nevertheless it is timely and informative, so keep it up. In my opinion Alexander Wilson gave a complete answer to the question in his discussion under that title. His statement of what it means to be an Isolationist was crystal clear and in substance was "that we should mind our own business as individuals and as a nation." Also his conclusions were supported by undisputed historical facts.

Mr. Lightbowne last week undertook to criticize it, and not only failed to give any clear idea of his own of what it means to be an Isolationist, but applied the straw-man technique in his discussion. In other words, he pulled two propositions out of the air: (1) "Why the United States Entered the War," and quoted a pontifical hindsight editorial from the New York "Times" with more or less comment on what might

(Continued on page 653)

Bankers' Associations Report On Bretton Woods Plans

Approve the Objectives, But Recommend That the International Monetary Fund Be Not Adopted, and Certain of Its Features Be Incorporated Into the Provisions of the Bank. Wants Bank to Negotiate Exchange Stabilization Agreements and to Make Stabilization Loans. Advocates Enlargement of Export-Import Bank.

Three bankers' organizations, in a report issued in their behalf Feb. 5, approved the objectives of the Bretton Woods program but recommended merging certain features of the Stabilization Fund into the Bank to form a single institution instead of two.

The three collaborating associations in the study of the Bretton Woods program were: The American Bankers Association, the Association of Reserve City Bankers, and the Bankers Association for Foreign Trade.

A practical plan that will "wear," the report states, was the aim sought by the bankers in formulating their report, which embodies recommendations of a specific character.

"We suggest a way of preserving and making effective the desirable features of the Bretton Woods proposals, while at the same time avoiding their more serious dangers," the report says in a foreword. "In brief, we recommend that the plan for the International Bank for Reconstruction and Development be adopted with minor changes, but that the plan for the International Monetary Fund be not adopted, as it embodies lending methods that are unproved and impractical. In lieu of the Monetary Fund we recommend that certain of its features be incorporated into the provisions for the Bank. In this way, we believe, the objectives of Bretton Woods could be achieved and the risks reduced."

In addition to the recommendations, the report also endorses the enlargement of the capacity of the Export-Import Bank through an increase of its capital, and the repeal of legislation forbidding loans to nations already in default to this country on war debts.

Specific Recommendations

The recommendations of the three associations in detail are as follows:

(1) That the capital funds of the Export-Import Bank be increased to $2 billion, first to provide means for meeting promptly deserving credit needs prior to the setting up of an international bank, and second to enable the United States to make loans in which this country has special interest and which can be made more effectively through a national institution than through an international body.

(2) That the Johnson Act and any analogous provisions in the Neutrality Act now standing in the way of private loans to certain foreign countries be repealed.

(3) That the Bretton Woods plan for an International Bank of Reconstruction and Development be adopted, but with the following suggested changes:

(a) That the two paragraphs in the Bank agreement which make membership in the Bank dependent on membership in the Fund be deleted.

(b) That an article be added placing on the governors and directors of the Bank responsibility for arranging and negotiating agreements between the member countries with respect to the stabilization of currencies, removal of exchange controls as rapidly as practicable, and the general rules of procedure in carrying out monetary policies.

(c) That the Bank be authorized to collect information with respect to monetary and economic matters as outlined in the Monetary Fund proposal.

(d) That the lending powers of the Bank be broadened sufficiently to allow it to make loans, under the same safeguards as the other loans of the Bank, for the purpose of aiding countries in stabilizing their currencies.

The report assumes that, "with the adoption of the above recommendations, which do not include approval of the proposed Fund, the Bank would set up, under properly qualified management, a separate department to deal with currency stabilization. . . . These provisions should enable the Bank to carry out all the essential purposes of the Fund in a sound and practical manner," it believes. . . . "The capital provided in the Bank plan should be adequate for all the purposes included in the amended proposal. If, after a few years' operation, successful results demonstrate the need for more capital, there is nothing to prevent reconsideration of the subject at that time."

In addition, the bankers recommend throwing certain safeguards around the operations of the Bank. "These should include the provision that the American governor and director of the Bank should be appointed by the President with the advice and consent of the Senate and that they should be men of tested banking experience." The bankers would also make provision for what the report calls a "directing committee" consisting of officials such as the heads of the Treasury, State Department, Department of Commerce, the Export-Import Bank, Chairman of the Reserve Board, and the Foreign Economic Administrator. This committee, the report says, might instruct the American governor or director of the Bank in important decisions of broad policy affecting the welfare of the country, act as the agency of the United States in those matters in which the articles of the Bank call for a decision by this government, and report at regular intervals to the President and the Congress.

Principles Stressed

The report stresses the importance of the principles which should underlie any plans for international financial agreements and examines the Bretton Woods program in the light of the principles set forth by the American Bankers Association Economic Policy Commission in a previous study.

"There are really two plans," the report states, "one for a Fund and one for a Bank. They are elaborate and complicated, together filling 85 printed pages of text.

"The Bretton Woods program provides machinery for continuing international consultation on currency problems, the collecting of information, and agreement on the 'rules of the game' applicable to currency policies and practices. It would provide a place where important people influential in the formulation of currency policies in the different countries might meet regularly and become acquainted with one another's problems. In these broad purposes the Bretton Woods proposals are in harmony with the principles heretofore endorsed by the American Bankers Association.

"The Bretton Woods program for the granting of credits is huge and complicated and the United States would supply a large proportion of the money," the report states. "The two institutions initially would have a combined capital of about $18 billion in gold and miscellaneous currencies. Of the total the United States would make a commitment for nearly $6 billion—about a third of the overall total, but more than half of the gold or currencies exchangeable into gold. Even this $6 billion might not be all that the United States would be expected to supply, since the Fund has the right to borrow scarce currencies and quotas may by agreement be increased.

"With respect to size and complexity," it finds that "the Bretton Woods program departs from he principle that an international organization should be simple and understandable," adding that "there are already differences in interpretation."

"The plan for the Monetary Fund introduces a method of lending which is novel and contrary to accepted credit principles," it continues. "Under the system of quotas in the Fund, a member country would be virtually entitled to borrow in certain specified annual amounts from the international pool of resources, provided the purposes of such borrowings were represented by it to accord with the broad purposes of the Fund. The borrowing would be subject to certain limitations, but with no stipulation that the loans should be good loans or—once a country had been admitted to full rights of membership in the Fund—that the loans should be based on prior consideration of the economic condition and prospects of the borrowing country.

"The Monetary Fund also, in its effort to meet the situation of countries now in uncertain financial position, goes far beyond the principles heretofore accepted by the United States in recognizing and approving changes in currency values and the maintenance of exchange controls. It is noteworthy that in the evolution of the program the name 'Stabilization Fund' has been discarded. The difficulty arises inevitably from any attempt while we are still at war to lay down rules that we must live up to after the war and following the transition period. Naturally, many countries are reluctant to make firm commitments now as to currency values and removing exchange controls.

"The commitment is so slight that Lord Keynes has some justification for saying in the House of Lords, 'These proposals are the exact opposite to the gold standard.'

"Nevertheless, the United States is asked for a firm commitment in putting up a large part of the internationally valid money."

Turning to the proposed Bank, the report declares that in contrast to the Fund, the Bank would operate more on the basis of established banking and investment principles.

"The Fund and the Bank are in different categories," it says. "The proposed International Bank embodies satisfactory principles and procedures: the loans have to be for specific purposes, they have to be examined by a special committee, they must offer promise of repayment. the country whose currency is lent has a veto power covering all major transactions, much of the operations may take the form of guarantees of loans made through the market and subject to that review, and the Bank will not make loans which can be made reasonably through private channels. If we assume good management, the institution should be able to operate soundly and effectively."

World Not Dependent on U. S. Gold

The report suggests that current discussion exaggerates the extent to which the whole world is dependent on the United States for goods and credits.

It points out that the outside world as a whole already has more gold and dollar exchange than ever before, largely as a result of huge overseas expenditures for our armed forces and for materials. By September, 1944, foreign control banks and governments held, it says, $17 billion in gold and dollars. Adding foreign-owned private banking funds, the total is estimated at $20 billion. Already "in the three years that the Treasury has been considering plans for an International Monetary Fund, the outside world's holdings of gold and dollars have increased by something like $7 billion. At the same time the gold stock in this country has been going down to the point where, in the face of the currency and credit expansion taking place, the President has suggested to the Congress the necessity of lowering the legally required reserves of the Federal Reserve banks."

The report recognizes that there will be some need for additional lending facilities involving the use of some government credit but warns against the inflationary tendencies of loading countries up with too much debt and adding to inflationary fires now burning over the world.

Pointing out that "we have national principles and interest to protect," the report says that on the board of any international financial institution there will be representatives of some countries which do not have the same understanding and appreciation of private enterprise as we do." It raises the question as to "how much ought we lend through an international organization and how much through a national body of our own, such as the Export-Import Bank. . . . In many cases there will be substantial advantages in having other countries share with us the responsibility and risk of loans," it is stated, "and this can be done by the (International) Bank effectively because of its structure. In other cases where American interests are closely involved we may find it better to make the loans ourselves through a national organization such as the Export-Import Bank. Its continuance, with sound management, is therefore desirable."

Two Institutions Not Required

Referring again to the fact that the Bretton Woods plan sets up two separate organizations, a Bank and a Fund, the report asks why should there be two.

"There would seem to be few advantages in such division of effort and many probable difficulties," it says. "Any program such as has been proposed will require wise and experienced management. The number of men qualified for these highly important posts is limited; and the prospect of divided authority and likelihood of jurisdictional conflicts between two such institutions might prove serious handicaps in attracting such men. Moreover, if, as seems possible, the cooperating nations should demand that the Fund be located in one country and the Bank in another, conflicts between the two would seem almost inevitable.

"If the Congress should decide to create only a single institution, the Bank might by minor changes in its charter, as suggested in this report, carry on the desirable functions of the Fund. The Bank might readily provide the meeting place for international consultation and agreement on monetary policies which the Bretton Woods program delegates to the complicated Fund. The other essential of the Fund is the provision of stabilization credits, which the Bank could supply with little change in its provisions and under more satisfactory safeguards."

The committees of the three banking organizations state that having studied the Bretton Woods plans with great care, they "make the foregoing recommendations in the belief that . . . the plan proposed (by them) would prove sound and effective over a term of years in achieving the major objective of international financial cooperation. The committees believe that the Monetary Fund as drafted is unsound and would increase the already grave danger of inflation; would delay fundamental economic adjustments; and would fail to protect the principles and interests of the United States and her citizens. They believe that the simplified program they here suggest would accomplish the desired purposes more effectively and with much less danger. They believe that it would be accepted as readily by other countries and would wear better in the realities of this chaotic world."

The Committee's Personnel

The three committees in charge of the preparation of the report were the Advisory Committee on Special Activities of the American Bankers Association, the Committee on Federal Fiscal Policy of the Association of Reserve City Bankers, and the Study Committee on Post-War Problems of the Bankers Association for Foreign Trade. W. L. Hemingway, past president of the A. B. A. and president, Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri, is chairman of the A. B. A. committee and the Reserve City Bankers committee. Clarence E. Hunter, vice-president, the New York Trust Company, New York, is chairman of the committee of the Bankers Association for Foreign Trade. In addition to the chairman these committees consist of:

Advisory Committee of Special Activities: Orval W. Adams, executive vice-president, Utah State National Bank, Salt Lake City, Utah; Winthrop W. Aldrich, chairman of the board, the Chase National Bank, New York, N. Y.; Leonard P. Ayres, vice-president, the Cleveland Trust Company, Cleveland, Ohio; W. Randolph Burgess, vice-chairman of the board the National City Bank, New York, N. Y.; J. Luther Cleveland, president, Guaranty Trust Company, New York, N. Y.; Robert V. Fleming, president, the Riggs National Bank, Washington, D. C.; Robert M. Hanes, president, Wachovia Bank and Trust Company, Winston-Salem, North Carolina; Fred I. Kent. director, Bankers Trust Company, New York, N. Y.; Hugh H. McGee, vice-president, Bankers Trust Company, New York, N. Y.; Frank C. Rathje, chairman of the board and president, Chicago City Bank and Trust Company, Chicago, Illinois; Tom K. Smith, president, the Boatmen's National Bank, St. Louis, Missouri; Charles E. Spencer, Jr., president, First National Bank, Boston, Massachusetts, and Merle E. Selecman, deputy manager, A. B. A., New York, N. Y., secretary.

Committee on Federal Fiscal Policy: Keehn W. Berry, president, Whitney National Bank, New Orleans, Louisiana; H. Donald Campbell, president, the Chase National Bank, New York, N. Y.; S. Sloan Colt, president, Bankers Trust Company, New York, N. Y.; Robert V. Fleming, president, Riggs National Bank, Washington, D. C., ex-officio as president of the association; Fred F. Florence, president, Republic National Bank, Dallas, Texas; H. Hiter Harris, president, First and Merchants National Bank, Richmond, Virginia; Percy H. Johnston, chairman, Chemical Bank and Trust Company, New York, N. Y.; James R. Leavell, president, Continental Illinois National Bank and Trust Company. Chicago, Illinois; William A. Mitchell, vice-president, J. P. Morgan & Company, Incorporated, New York, N. Y.; Andrew Price, president, National Bank of Commerce, Seattle, Washington: James D. Robinson, president, First National Bank, Atlanta, Georgia; Charles E.

Spencer, Jr., president, First National Bank, Boston, Massachusetts; J. C. Traphagen, president, Bank of New York, New York, N. Y., and G. M. Wallace, president, Security - First National Bank, Los Angeles, California.

Study Committee on Post-War Problems: E. M. Andel, assistant vice-president, Bankers Trust Company, New York, N. Y.; Owen L. Carlton, vice-president, Central National Bank, Cleveland, Ohio; W. F. Gephart, vice-president, First National Bank, St. Louis, Missouri; W. Latimer Gray, vice-president, First National Bank, Boston, Massachusetts; J. Leroy Lawson, supervisor of banking arrangements Royal Bank of Canada, Montreal, Canada; Robert F. Loree, vice-president, Guaranty Trust Company, New York, N. Y.; Elliott McAllister, vice-president, the Bank of California National Association, San Francisco, California; J. F. McRae, president, the Merchants National Bank, Mobile, Alabama; William A. Mitchell, vice-president, J. P. Morgan & Company, Incorporated, New York, N. Y.; Arthur W. Roberts, vice-president, Continental Illinois National Bank and Trust Company, Chicago, Illinois; Harry Salinger, vice-president, First National Bank, Chicago, Illinois; Siegfried Stern, vice-president, the Chase National Bank, New York, N. Y., and Wilbert Ward, vice-president, the National City Bank of New York. New York, N. Y.

Declines Resignation Of Secretary Perkins

It was made known on Jan. 24 that President Roosevelt has declined to accept the resignation of Miss Frances Perkins as Secretary of Labor. Associated Press accounts from Washington reporting this, said:

"Miss Perkins refused to make public a letter from the President asking her to continue and rejecting her request to be permitted to quit after twelve years.

"The President's decision was reported to have been conveyed to her orally at first on Friday, the day before inauguration, and followed through with a letter.

"One of the last two members of Mr. Roosevelt's original Cabinet (Secretary Ickes is the other), she has been represented as wanting for a long time to step out of the labor post.

"The President was known to have offered nearly a month ago to appoint any successor on whom the CIO and AFL could agree.

"He discussed personalities with Philip Murray, President of the CIO, and William Green, President of the AFL, but the talks apparently were fruitless.

"During Miss Perkins' tenure her critics, including some labor leaders, have frequently laid stress on what they termed the need for a new appointee to handle labor issues.

"When she took the labor helm its principal preoccupation was with the immigration and naturalization service. Since then that branch has been transferred to the Justice Department and the various statistical agencies have been expanded, notably the Bureau of Labor Statistics.

"Miss Perkins has built up the Children's Bureau and the Women's Bureau and has been responsible for administration of the Fair Labor Standards Act and the Wage and Hour Law.

"Meanwhile, emergency war agencies touching on labor have developed outside her province. Among these are the War Labor Board, War Manpower Commission and the National Labor Relations Board."

The President, it is reported, has also declined to accept the resignation of Secretary Ickes.

State of Trade

Industrial production moved generally downward again this past week for the third week in succession. The backlog of unfilled orders continues to climb as the needs of war mount. Factory employment, although lower than last year, according to Dun & Bradstreet, Inc., has gained slightly over the previous several months as a general easing of the acute manpower shortages was reported for some industries and for some sections of the country.

The change in the tide of war in Europe in favor of the United Nations has again given rise to fresh optimism that the conflict in Europe may soon be terminated. There can be little doubt in any one's mind that Germany at long last has reached that decisive stage of the war that bodes only defeat for her, but we cannot afford to gamble on her apparent inability to delay too long the fatal hour, and there is no intention of our doing so. The past week witnessed another increase in applicants for war jobs without benefit of a national service law. Pending legislation in the form of the May-Bailey limited service bill managed to pass the House last week and at present is awaiting action by the Senate. The revised measure would place manpower controls in the hands of War Mobilization Director Byrnes, thus giving the WMC, instead of selective service, authority to obtain needed workers for essential industry and thereby same time and effort.

Should the above measure become a law it would have the effect of a further tightening in our civilian economy. The need for such a law here seems to lose much of its validity when one reads of England taking steps to reestablish her peacetime economy. It is reported that some 800 English manufacturers have received permission to go ahead with post-war models and 90% of her machine tools have been freed for civilian use after a deal by which lend-lease tools costing $166,000,000 were sold to her for $31,500,000.

Steel Industry—As a result of severe weather, freight embargoes, manpower shortages and employee fatigue, the steel industry this past week suffered one of its most drastic production set-backs since the war starteed. Mid-week saw no indication that the full pre-storm level of ingot output would materialize in the immediate future. The raw steel rate for the country declined three points this week to 89.5% of rated capacity, with some curtailments existent a week ago still in effect this week, states "The Iron Age," in its current review of the steel trade.

Some of the back-up in the nation's steel mills, which has caused a shutting down of furnaces, can be charged to the drastic rail freight embargo which ended Tuesday midnight of last week. Some indications were in evidence, however, that a new embargo might again be put into effect soon. Overall results of the most recent freight embargo may not be known for about a week, and while this action proved of considerable assistance to Army and Navy operations, it nevertheless caused considerable disruption of normal steel operations. This was occasioned in part by a misunderstanding of the order, as in the case of the coal miners who were ordered not to report to work.

Early this week the Buffalo district seemed to be the hardest hit by a combination of embargo, weather and manpower problems, with ingot output in that area scheduled at 29% early this week, compared with 93% the week before, reports the trade paper. On Tuesday of last week Bethlehem at Buffalo was operating 10 out of 30 open hearths; Republic Steel Corp. had all nine of its furnaces down, while Wickwire was unable to operate its four furnaces. At mid-week plans were uncertain as to when all furnaces would resume production.

At Pittsburgh steel losses at one plant alone amounted to 19,000 tons and coal stocks at various plants were down to a four-day supply, with plant officials already worrying about the possibility of an unprecedented flood in case a heavy and quick thaw should set in. At Cleveland the ingot rate dropped 10 points to 79.5% of capacity. Considerable steel was lost in that area when many open hearth furnaces were forced down.

In the Chicago district the embargo was met by reshuffling delivery schedules in order to provide delayed rolling for Eastern orders and by storing rolled products on mill floors. A car shortage further complicated the situation.

Steel order volume this past week continued to mount and order books generally bulged to twice the size of a month ago and were about 50% ahead of the similar period last year, "The Iron Age" disclosed. Despite the inability of mills to absorb further tonnage, order directives continued to pour down from WPB on overflowing schedules, particularly for structural steel. Inquiries by WPB into the possibility of an expansion in capacity to break the bottlenecks caused by the heavy shell program, disclosed that additional construction, if undertaken, could not become effective for some time—possibly a year. According to WPB Chairman Krug, Army steel requirements for the second quarter have been increased by 750,000 tons.

If shell steel goals, which have been revised upward repeatedly within the past few months, are met, it is clearer than ever that other programs will have to be further deferred. The revised landing mat program is showing complications as a result of a change in specifications. If such a specification were to become widespread, deliveries would be delayed at least 90 days from the June dates quoted for hot rolled sheets.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 89.3% of capacity for the week beginning Feb. 5, compared with 90.1% one week ago. The current rate is the smallest of any non-holiday week since July 22-29, 1940. This week's operating rate is equivalent to 1,610,800 net tons of steel ingots and castings, compared with 1,625,200 tons last week and 1,741,800 net tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,576,713,000 kwh. in the week ended Jan. 27, 1945, from 4,588,214,000 kwh. in the preceding week. Output for the week ended Jan. 27, 1945, was 1.2% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 200,600,000 kwh. in the week ended Jan. 28, 1945, comparing with 220,800,000 kwh. for the corresponding week of 1944, or a decrease of 9.1%.

Local distribution of electricity amounted to 186,700,000 kwh. compared with 208,000,000 kwh. for the corresponding week of last year, a decrease of 10.2%.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Jan. 27, 1945, totaled 758,870 cars, the Association of American Railroads announced. This was a decrease of 18,450 cars, or 2.4% below the preceding week this year and a decrease of 52,020 cars, or 6.4% be-

(Continued on page 655)

Congress vs. People

A committee of the American Political Science Association recently recommended:

"That Congress divest itself, because of the heavy volume of legislative business, of such work and activities as it can appropriately delegate to other agencies, such as the government of the District of Columbia, the settlement of private claims and pensions, and other private and local legislation.

"That the committees of Congress be adequately equipped with independent, qualified experts to aid them in making laws, such experts either to be attached to the committees or drawn from a central pool or joint legislative staff service.

"That a Legislative Council be established, to be composed of the Vice-President, the Speaker of the House, the Majority Leaders in both Chambers and the chairmen of the reorganized standing committees.

"That the function of legislative oversight of administrative performance be entrusted by Congress primarily to the subcommittees of the House Committee on Appropriations, which should be adequately staffed to permit continuing review and evaluation of the work of the executive agencies within their respective jurisdictions.

"That the annual salaries of Senators and Representatives be increased to $15,000; that each member's annual allowance for clerical hire be substantially increased, and that the Civil Service Retirement Act be amended so as to make members of Congress eligible for retirement annuities on a contributory basis after long legislative service."

Congress in recent years has, we think, been at least as much "sinned against as sinning," but, of course, its record is not an enviable one.

The suggestions here made may have merit, but they are not likely to give us a really better Congress.

The chief trouble with the American Congress is the American people!

Senate Passes Bill Reserving Right To States to Regulate Insurance Business

A compromise bill covering the regulation of the insurance business was passed by the U. S. Senate on Jan. 25. It was noted in the Associated Press that the measure, the passage of which results from the decision of the U. S. Supreme Court on June 5, 1944 holding that insurance is commerce, and subject to the anti-trust laws reserves to the States the continued taxation and regulation of the insurance business, but sets the right of the Federal Government to intervene in cases of "boycott, coercion or intimidation" in the fixing of rates.

"At the same time," says the press advices, "it exempts the insurance business from Sherman Act provisions until June 1, 1947, and Clayton Act provisions until Jan. 1, 1948, to permit a period of adjustment of existing procedures."

The Senate Judiciary Committee unanimously approved the bill on Jan. 22, stating that the Senate passed the measure (the McCarran-Ferguson bill) on a voice vote. Advices to the New York "Journal of Commerce" from its Washington bureau on Jan. 25 reported that no question was raised when the measure was brought to the Senate, and there was only a scattering of dissenting votes. The advices in the "Journal of Commerce" also said:

"It is expected that the McCarran-Ferguson bill will be referred to the House Judiciary Committee, which already has under consideration the Walter bill, which was re-introduced early in the present session after being passed by the House by an overwhelming vote last spring.

"The McCarran-Ferguson bill represents the feelings of a large part of the insurance industry as to the legislation necessary to assure regulation and taxation of the business by the States. Following the decision of the Supreme Court, holding that insurance is in interstate commerce and therefore subject to terms of the Sherman and Clayton acts, it was feared that the Federal Government would attempt to assume regulatory powers.

"Representatives of a number of branches of the insurance industry, including the National Association of Insurance Commissioners, joined in asking Senator Pat McCarran (Dem., Nev.), Chairman of the Senate Judiciary Committee, to sponsor the measure which they had drafted.

"The Walter bill simply asserts that it was never the intent of Congress to apply provisions of the Sherman and Clayton Acts to the business of insurance.

"The McCarran-Ferguson bill is designed to give the States time to revise their laws in accordance with the Supreme Court decision and to perfect their own measures for regulating and taxing insurance within their own borders.

"The bill also specifically declares that it is the intent of Congress that taxation of insurance be left to the States. Several States, including North Carolina, South Carolina, Tennessee and Kentucky, require tax payments by Feb. 1 and without any assurance from Congress many companies would be forced to protest such tax payments because of the differences in tax treatment between domestic and foreign companies."

In our issue of Jan. 18 (page 291) reference was made to the letter addressed by President Roosevelt to Senator Radcliffe indicating his indorsement of a bill by Senator O'Mahoney providing for a moratorium exempting insurance companies from the Sherman Anti-Trust Act until March 1, 1946 except as to boycott, coercion or intimidation. The Supreme Court decision holding insurance inter-State trade and subject to the Anti-Trust Act was noted in these columns June 8, 1944, page 2383.

The Financial Situation

(Continued from first page)

There is a large element in the President's party which is convinced that our success in producing the sinews of war has "revealed" a hitherto unsuspected production capacity, and suggested a technique whereby this capacity can be fully utilized in peacetime. They are convinced moreover that "we" have learned (as if we had not had the same experience during the first World War) what it is like to have "full employment," and a good deal else that is not precisely defined but is supposed to be something very good, and that "we" shall never "consent" to "go back" to those unenlightened years which preceded 1943. As to techniques by which to reach this desired peacetime goal, they speak glibly, if vaguely, about "cooperation," one of the partners in the process being government. They apparently are not very clear in their own minds as yet as to precisely what part the government should play—but they are quite certain that it must put up funds in amounts which prior to our entry into this war would have been regarded as fantastic—the figment of some diseased imagination.

Although still speaking on occasion of orderly debt retirement after the war, the President himself is one of the leading exponents of this type of postwar policy, and Mr. Wallace is perhaps not only the most persistent and ardent, but possibly the most extreme, lieutenant of the President in this "movement," if such it may be termed. Since the President does without doubt feel under political obligations to Mr. Wallace, since Mr. Wallace is the darling of the CIO-PAC, and since the President may feel that he had political scores to settle with Mr. Jones, it is difficult to determine what the precise motives were in this nomination. It may have been made with the intention of placing the most erratic, and the most extreme, of the postwar managers and postwar spenders in a position where he could be of the greatest strategical value to the President and his more extreme left-wing supporters, or it may not, but it would have had such an effect — and the President could scarcely have been unaware of the fact.

Peacetime Lessons from War

At any rate, whatever the fate of the former Vice-President at the hands of the Senate or indirectly of the Congress, we have not heard the last of this post-war spending program which is being hatched up in Washington by many who worship Mr. Wallace—and it is being formulated with the full approval of the President. The truth of the matter is that in essential principle this general notion of carrying war production volume and war employment over into the peace years by means of unheard-of government spending and by government control of many aspects of the economic life of the country, and therefore of the private lives of individual citizens, has support far beyond the boundaries of the President's party. In fine, here is a theory, founded more or less upon Keynesian theories, which command wide support, and will without the slightest question be cropping up from this point forward. Much will depend, indeed it would scarcely be too much to say that the future of this country will depend, in large measure upon the way in which Congress meets this challenge.

It will meet this challenge adequately or not depending not so much upon what it may think of Mr. Wallace or of the CIO-PAC, or what it may regard as the politics of the situation as upon the degree in which it may see clearly the defects, indeed the deadly danger, of the type of policies that are being formulated by such groups as these. The Wallaces may come and the Wallaces may go, but such ideas as these may continue to plague or to threaten the country. Let there be no mistake about it. The Hillmans, the Reuthers, and the others in the left wing labor union support of the President — and for that matter, the President himself —are not nearly so much interested as they may appear to be in Mr. Wallace as such. The moment they think their cause or their own future can do better without the former Vice-President we shall hear little more from him—except so far as he himself keeps his own political chariot moving. Congress, too, if it is to do its duty in this matter, must keep its eye on the ball, not merely on Mr. Wallace.

Mistaken Notions

Let no one suppose that the war, Mr. Wallace, the President, Lord Keynes, or any of the "bright young boys" so numerous in Washington have discovered any new formula for prosperity and economic welfare. The doctrines expounded by Keynes and made the basis for so many of these wierd ideas of the Wallaces and the others in and about Washington are either old, old ideas, sound enough in themselves, upon which have been grafted the strangest of conclusions, or else they simply are not in accord with the facts of life. It is all very well for Lord Keynes to say, as he is reputed to have said, that only in war times can people be persuaded to develop the boldness which would prove his theories—with the vague notion apparently that wartime has proved his ideas. The trouble is that there simply is no truth in the idea that war experience has proved anything about peacetime policy. Nor is there any ground either in logic or in experience to lead any intelligent or reasonable man to suppose that it is possible for a people or the world to spend its way into riches.

We fear Mr. Wallace very much less than we do Mr. Wallace's program — and its piecemeal adoption.

Writing Down Good Will Through Charge to Capital Surplus Improper: SEC

The Securities and Exchange Commission made public on Jan. 20 an opinion of its Chief Accountant in its Accounting Series discussing the propriety of writing down goodwill by means of charges to capital surplus. The opinion is expressed therein that "the proposed charge to capital surplus is contrary to sound accounting principles." The opinion, prepared by William W. Werntz, Chief Accountant, follows:

"Inquiry has been made as to whether in a financial statement required to be filed with the Commission goodwill may be written down or written off by means of charges to capital surplus. The goodwill in question resulted from the acquisition during the year of the assets and business of a going concern at a price of $2,000,000, payable in cash or its equivalent. It was determined that $1,750,000 was paid for the physical assets acquired and $250,000 for goodwill. It is now proposed to write off this goodwill by a charge to capital surplus.

"In my opinion the proposed charge to capital surplus is contrary to sound accounting principles. It is clear that if the goodwill here involved is, or were to become, worthless, it would be necessary to write it off. Preferably such write-off should have been accomplished through timely charges to income, but in no event would it be permissible, under sound accounting principles, to charge the loss to capital surplus. The procedure being proposed would, however, evade such charges to income or earned surplus and would consequently result in an overstatement of income and earned surplus and an understatement of capital.

"This position was expressly taken in the following paragraph of the Commission's opinion in **In the Matter of Associated Gas and Electric Company — SEC.** — (Securities Exchange Act of 1934, Release No. 3285A, August 5, 1942, at p. 54):

> "'[the] position [taken] with respect to intangibles not subject to amortization assumes that as long as the write-off is made because of conservatism before actual realization of the loss, the write-off may be made to capital surplus. This practice would permit a corporation to circumvent charges which should be made against income or earned surplus by recognizing them in advance as a charge against capital surplus and, in our opinion, it is not consistent with the fundamental principle that a distinction should be maintained between capital and income.'"

Supreme Court Approves SEC's Ratio of Distribution of United Light & Power's Assets

Five to Three Decision Holds That Charter Liquidation Provisions for Preferred and Common Shares Does Not Apply in "Death Sentence" Cases.

In a five-to-three decision, the Supreme Court on January 29 denied the petition of the investment banking firm of Otis & Co. of Cleveland, Ohio, to set aside that part of the SEC's dissolution plan of the United Light and Power Company, by which the preferred stockholders were not given the full liquidating value of their shares, so that the common shareholders could receive a participation in the distribution. Under the SEC's plan, the preferred stockholders were allotted 94.52% and the common stockholders 5.48%. The plan was contested by Otis & Co. on the ground that there were not sufficient assets to meet the liquidation payments, and according to the provisions laid down in the company's charter, the common stock, therefore, had no rights of participation.

According to the majority opinion of the court the Public Utility Holding Company Act provides for simplification and distribution "on the basis of a going concern," and, therefore, the requirement that the distribution of assets be "fair and equitable" to various classes of shareholders, does not need to meet the conditions laid down under the charter restrictions of the corporation.

"The commission applied the correct rule of law as to the rights of the stockholders," the majority opinion asserted. "That is to say, when the Commission proceeds in the simplification of a holding company system, the rights of the stockholders of a solvent company which is ordered by the commission to distribute its assets among its stockholders may be evaluated on the basis of a going business and not as though a liquidation were taking place."

"This right to priority in assets which exists between creditors and stockholders exists also between various classes of stockholders," the court admitted, but added that under the Holding Company Act, Congress "wishes to preserve values to investors, not to destroy them."

"Consequently," the majority opinion stated, "while giving the commission power to compel the elimination of holding companies deemed uneconomic, it allowed the affected companies to propose plans to the commission to effectuate the objects and the commission to approve such plans when they were considered fair and equitable."

"The manifest solvency of United Power simplified the problem of stockholders' rights with which we are here concerned," the court added. "The creditors are satisfied. No possibility exists that simplification of structure is employed here to evade or nullify creditors' rights in reorganization or to take the place of traditional reorganization."

Chief Justice Harlan F. Stone delivered the minority opinion of the court, in which Justice Owen J. Roberts and Felix Frankfurter joined. The Chief Justice contended that "Calling the preferred stockholders' right of priority a 'windfall' will not serve as an apology, explanation or justification for the Commission's action in appropriating the priority of the preferred in order to give a windfall to the common."

He further pointed out that the term "fair and equitable" has long been interpreted under the well known Boyd case (Northern Pacific vs. Boyd), decided by the Supreme Court some years ago, and has been generally followed in many similar cases.

He maintained that the rule applies to priorities of different classes of stockholders, as well as between creditors and stockholders. "The rule," Justice Stone said, "is that any arrangement or plan enforced without the consent of the parties affected by it, by which the subordinate rights and interests of stockholders are attempted to be secured at the expense of the prior rights of other security holders, is unfair and inequitable and will not be sanctioned."

American Tariff League's 60th Year

The American Tariff League, only organization in the country solely concerned with study of the protective tariff, on Jan. 18 rounded out its 60th year of existence, Secretary Bertrand W. Hall recently announced.

Senator Kenneth S. Wherry of Nebraska, Republican whip in the Senate, who defeated the late Senator George W. Norris in 1942, delivered the principal address, "What About Our American Economy?" at the League's 60th Anniversary Dinner at the Waldorf-Astoria in New York on Jan. 18. League President Frederick K. Barbour, President of the Linen Thread Co., presided. The advices from the League said:

The League, founded in 1885, is a non-partisan research organization. It studies facts and forces brought into play in international trade and makes its findings public, in accordance with its constitution, "in an educational effort to provide a better understanding of the effect of these forces on the prosperity of American labor, agriculture and industry."

For 36 years the League published "The Economist," an authoritative weekly of standing and prestige in the world of business and economics. In 1927 "The Economist" was succeeded by "The Tariff Reviw," a monthly designed to fill a more specific function than had its predecessor.

Recently the organization published the results of a three-year comparative study of world tariffs, as of 1937, under the title, "How High Are United States Tariffs?" showing that U. S. tariffs, contrary to the popular understanding, were among the lowest of the world's great trading nations.

Among other recent studies sponsored by the League were: (1) "A Brief Tariff History of the United States," and (2) "Tariff Reductions Under the Reciprocal Trade Agreements Act," showing the 1,226 reductions arranged according to import classification and grouped according to percentage of reduction.

A few of the prominent men associated with the League in the past have been Chauncey Depew, George Westinghouse, John Wanamaker, Leland Stanford, James G. Blaine, Cornelius N. Bliss and A. D. Julliard.

Supports Wilson's Isolationism Views

(Continued from first page)

or might not have been, which, of course, got nowhere; and (2) "Can Our Objectives Be Gained Without Full Participation in a New League of Nations?" but failed to face the facts and/or explain how we are to do business successfully with the Soviet concept of foreign policy. Events are facts that prove the accuracy of a theory, and Mr. Wilson based his theory on events and facts. I recommend that Mr. Lightbowne read David Dallins's "The Real Soviet Russia." He will find the following on page 71:

> "Words must have no relation to actions—otherwise what kind of diplomacy is it? Words are one thing, actions another; good words are a mask for concealment of bad deeds. Sincere diplomacy is no more possible than dry water or wooden iron. —Joseph Stalin."

As an authority, Dr. David Dallin, according to the New York "Times," is a "genuine historian, not a propagandist." We have his word as to Stalin's respect for integrity, responsibility, freedom and justice without which no sound basis for world order can be established.

Personally, I am a disciple of the Great American who declared:

> "It is by building our own strength and character at home —not by crusading abroad—that we can contribute most to civilization through the world."

Can Mr. Lightbowne, or anyone else, find any fault with that?

BERKELEY WILLIAMS.
Richmond, Va.

Says Wilson's Article Clarifies "Isolationist" Term

To the Editor:

I have to thank Alexander Wilson, the writer of "Are Americans Isolationists?" for his article in The Chronicle of Jan. 10. With me it served to clarify the term "isolationist." In fact if that is what is meant by the term, I'll have to confess that I am one!

Right now I'm wondering if great numbers of our people are not slowly awakening inwardly to the mess our country is really in. The light of realization is probably making them blink and rub their mental eyes.

The process will no doubt be cruel, but that time and events will prove the eternal truth of Mr. Wilson's ideas, I have not the slightest doubt.

Otis Dixon Phillips.
Greensboro, N. C.
Feb. 5, 1945.

Alloy Steel Production In 1944 Below 1943 Total

Production of alloy steels during 1944 totaled 10,525,433 tons, about 12% of total steel production during the year, according to the American Iron and Steel Institute, which further reported:

In 1943, alloy steel production reached a peak of 13,149,818 tons, almost 15% of total steel output. The decline in production last year reflects decreased demand for military purposes.

In December, 1944, alloy steel production totaled 848,274 tons, compared with 803,507 tons in November and 798,647 tons in December, 1943.

Open hearth furnaces produced 6,970,975 tons of alloy steel in 1944. The remaining 3,554,461 tons of alloy steel production came chiefly from electric furnaces.

Takes Issue With Alexander Wilson On Isolationism

A. G. Glasgow Says American Electorate Approves World Organization to Preserve Peace and Says "Only Alternative to Collective Suicide by War Is Collective Security Against War."

Editor, Commercial and Financial Chronicle:

I have just seen "The Chronicle" reprint of "Are Americans Isolationists?" by Alexander Wilson, and am accepting your invitation to comment:

(a) Although Mr. Wilson describes himself as the son of foreign parents, he begins with long definitions of who and what is "The American", followed by longer claims of the superior wisdom and realism of the American "Isolationist".

Speaking quite frankly, it would seem more appropriate for one who is benefiting from American citizenship, without prior contribution to its value, to leave such definitions to those with more American background —no other nation being so diverse in citizenry.

(b) Nevertheless, there is ONE SINGLE ISSUE, concerning which the recent presidential election was unanimous. Our whole voting population, between forty-five and fifty millions, supported the very policy which Mr. Wilson denounces — World Organization to Preserve Peace, with power to co-operate promptly against aggression, without prior congressional debate.

Both presidential candidates supported such World Organization; and, between them, received unanimous support of that one and only hope of Permanent Peace.

Granting that some irreconcilables were influenced by party loyalty, such vast and unanimous approval of epoch-making world policy, by the free vote of an entire nation, is unique in world-history — and utterly dissipates Mr. Wilson's individual opposition.

(c) His elaborate collection of past wars and threats of war, ranging from 1755 to 1944, proves only the urgent need of World Organization for Peace. Least of all, does it suggest that America could remain neutral and safe, while a Third War destroyed the outside World.

(d) Even Mr. Wilson recognizes that his case is "counsel of despair", saying,

> "If Great Britain, France, Germany, Japan, Italy, Russia and the other powers would forsake imperialism, and had the character to sacredly observe their international agreements and treaties, the world would then be ready for a real League of Nations that might mean a lasting world peace for all humanity."

He groups Great Britain, France and Russia equally with Germany, Japan and Italy; although American life, liberty and pursuit of happiness, as well as respect for property and contract, are all based on British Institutions—with some debt to France.

Leaving such muddled-thinking to answer itself, the bald facts are: That another Global War, with implements of destruction immensely increased by science and technology, will end what remains of the World and Civilization; and **that the only alternative, to such collective suicide by war, is collective security against war.**

Cannot individual malcontents, while their country is at war, cease pouring the grit of discord into the gears of allied co-operation, on which—whether they like it or not—the welfare of America now depends?

Yours respectfully,
ARTHUR GRAHAM GLASGOW.

Profits and Operations of Listed Corporations

Another in the series of statistical reports of the Survey of American Listed Corporations, covering "Data on Profits and Operations, 1942-1943," was made public on Jan. 22 by the Securities and Exchange Commission. The survey, which supplements a previous report for the years 1936-1942, inclusive, is in five parts, Part III representing the latest to be released. Part II of the Survey was referred to in our issue of Dec. 4 last, page 2448. From the release issued on Jan. 22 by the SEC we quote:

"The report shows the effects, whenever reported by registrants. or renegotiation, 'carry-backs' of taxes and termination of contracts, on the financial statements of each of the 1,530 companies included in the survey.

"The survey covers 118 industry groups having total assets of approximately $62,000,000,000 in 1943. Parts I-II-III-IV contain data on 1,120 companies in 76 Manufacturing Industry Groups and Part V will contain data on 413 companies in 42 non-Manufacturing Industry Groups.

"Two hundred and eighty-four companies in 1942 and 280 companies in 1943 comprise the 17 industry groups for which Combined Industry Totals are presented in Part III. These companies have 1943 assets of $16,060,302.000. Net sales in 1942 amounted to $18.044.430.000 and increased to $22,972,374,000 in 1943. Net Profit before Income Taxes for these companies amounted to $2.383.282.000 in 1942 and $2,571,158,000 in 1943 and Net Profit after Income Taxes in 1942 amounted to $837.567,000 compared with $823.904.000 in 1943. Net Profits are after the deduction of Provision for War and Related Contingencies provided out of Income. Eight of the seventeen industry groups reported a larger Net Profit before Income Taxes in 1943 than they did in 1942 with five groups reporting a larger Net Profit after Income Taxes than they did in 1942.

"Almost all of the registrants covered in the report have completed renegotiation of U. S. Government contracts for 1942 and the effect of such renegotiations, whenever reported. has been reflected in their 1942 reports. For 1943 only a part of the companies have completed or made provision for renegotiation. However, a material number of companies, basing their estimates of renegotiation refunds upon their experience in 1942, made voluntary refunds in 1943 during the period in which they were completing their Government contracts; and a number of others made provisions for refunds which they combined with their provision for income taxes.

"In 1942 202 of the 284 companies reporting showed the complete effect renegotiation had on their financial statements. For the 202 companies net sales before any deductions for renegotiation were $13,950,921,000. Voluntary reductions from net sales made by registrants during the year amounted to $173,874,000. The effect of these voluntary deductions before renegotiation on net profits was not stated by registrants. In addition, further deductions from net sales as a result of renegotiation amounted to $184,104,000, and these deductions had the effect of reducing net profit after income taxes by the amount of $21,493,000 and reducing reserves set up for renegotiation by the amount of $23,139,000.

"For 1943 21 of the 280 companies included in the combined industry totals reported the complete effects of renegotiation in their financial statements. For these 21 companies net sales before any reported deductions were $1,597,305,000. Voluntary deductions from sales made by these registrants during the year amounted to $212,456,000. The effect of these deductions on net profit after income taxes was not stated. In addition, deductions from net sales as a result of renegotiation amounted to $10,774,000, and these deductions had the effect of reducing net profit after income taxes by the amount of $2,177,000, and reserves set up for renegotiation refunds by the amount of $120,000. Many companies in 1942 and 1943 have made voluntary deductions during the course of the fiscal year without stating the amounts or the fact that such deductions were made in their financial statements. Tables showing the effect of renegotiation on the financial data of the 1,120 manufacturing companies included in the study will be summarized in Part IV.

"Of the 17 industry groups, "Steel Producers with Blast Furnace Facilities" reported the largest net sales. These 14 companies reported net sales in 1942 of $5,403,508,000, compared with net sales in 1943 of $6,105,940,000. Net profit before income taxes amounted to $702,529,000, or 13.0% of sales in 1942, compared with $561,464,000, or 9.2% of sales in 1943. Net profit after income taxes amounted to $180,991,000, or 3.3% of sales in 1942, compared with $167,814,000, or 2.7% of sales in 1943. These 14 companies showed a net profit after income taxes as a percent of net worth amounting to 5.8% in 1942, compared with 5.3% in 1943.

"Ten 'automobile' companies reported the next largest net sales of $3,584,428,000 in 1942, compared with $5,870,838,000 in 1943. Net profit before income taxes for these companies amounted to $371,576,000, or 10.4% of sales in 1942, and rose to $538,651,000, or 9.2% of sales in 1943. Net profit after payment of income taxes amounted to $194,918,000, or 5.4% of sales in 1942, compared with $191,402,000, or 3.3% of sales in 1943. Net profits after income taxes, as a percent of net worth for this group, declined from 13.3% in 1942 to 12.4% in 1943."

With 82 companies included in the combined totals in 1942 and 79 companies included in 1943. "Automobile Parts and Accessories" reported Net Sales of $2,429,860,000 in 1942 compared with $3,721,694,000 in 1943. The Net Profit before Income Taxes reported by these 82 companies in 1942 amounted to $344,661,000 or 14.2% of Sales compared with 79 companies reporting $508,498,000 or 13.7% of Sales for the same item in 1943. These companies reported a Net Profit after Income Taxes of $88,318,000 or 3.6% of Sales in 1942 compared with $106,367.000 or 2.9% of Sales in 1943. Net Profit after Income Taxes as a percent of Net Worth however, was larger in 1943 than in 1942, showing 13.9% return in 1942 compared with 17.2% in 1943.

The industry group reporting the fourth largest Sales during the period covered was "Non-Ferrous Metals—Including Smelting and Refining." Twenty-two companies in 1942 reported Net Sales of $1.696,941,000 in 1942 while 23 companies reported Net Sales of $1.882,023,000 in 1943. Net profit before Income Taxes for these companies amounted to $347,614,000 or 20.5% in 1942 compared with $326 612,000 or 17.4% in 1943. Net Profit after Income Taxes amounted to $181,468,000 or 10.7% of Sales in 1942 compared with $172.298.000 or 9.2% in 1943. Net Profit after Income Taxes as a percent of net worth declined from 9.8% in 1942 to 9.0% in 1943.

The Commission says: "Copies of this report were not prepared for general distribution due to the paper conservation program and budgetary limitations. The report may be used at the office of the Commission in Philadelphia or at any Regional or Branch Office, and at a number of selected depository libraries."

CCC Financing Boosts Farm Production

Financial operations of the Commodity Credit Corporation—including loans to farmers, purchases of farm products, and other agricultural price-support programs—totaled $5,058,000,000 during the 1944 fiscal year. Total for the preceding year was $3,506,000,000.

The U. S. Department of Agriculture in reporting this said:

"Operations were broadened in 1943-44 in an accelerated program of farm production and price support to meet wartime military and civilian requirements for food and fiber. Farm production during this period was an all-time high record.

"The Corporation's 1944 annual report shows a wartime total of more than $9,000,000,000 of CCC financing for all purposes through June 30, 1944, by comparison with less than $3,000,000,000 of CCC loans and purchases during the entire period of its prewar operations dating back to 1933.

"The wartime total includes the financing of $5,000,000,000 of commodities purchased for lend-lease and related account. The Corporation is reinmbursed by the Lend-Lease Administration for these expenditures.

"Estimated cost of the 1943-44 farm price-support program—including equalization payments to producers and processors—was $350,000,000. Including direct payments to dairymen—to boost the production of milk and butterfat—the estimated cost of the 1944-45 programs is about $750,000,000.

"Large programs operated by the Corporation during the 1944 fiscal year included (1) loans to cotton growers, (2) payments to dairy farmers to increase the production of milk and butterfat, (3) purchase and sales of feed wheat to maintain the production of meats, milk, and other livestock products, and (4) price-support and equalization payments to maintain the production of vegetable oils for food and industrial uses.

"The Corporation bought and sold 1943 and 1944 domestic wool at ceiling prices to maintain production and the income of wool producers, it bought and managed the 1944 Caribbean sugar crops so as to prevent a rise in prices to consumers, and it made price-support and equalization payments to stimulate the production and processing of canning crops.

"Other activities included a long list of operations in price-support and price-stabilization programs, ranging from freight-equalization payments on apples shipped from the west coast to interior and eastern markets to negotiations for the sale of surplus stocks of gum rosin to stimulate the production of industrial products.

"Price-support and stabilization programs also were applicable to dry beans and peas, sugar beets and sugarcane, potatoes and sweet potatoes, dried fruits, vegetables for fresh consumption, apples for processing, and hay and pasture seed."

Fraternity For Peace Indispensable

(Continued from first page)

exclusive action. Only collective security can stop the next great war before it starts. Therefore collective security is to our advantage: and we serve America if we can help to make it work.

Upholds Atlantic Charter

But this brings me immediately to my second fundamental. We can not make it work alone. Unshared idealism is not an asset: it is a liability. It takes something more than a "paper league" to keep the peace. An unjust peace will break out of any straitjacket the wit of man can devise. It ought to. Collective security will be no stronger than the merits of the cause it implements. Therefore it is to our own American self-interest also to keep this objective forever at our masthead —peace with justice! Not because we want to meddle in the problems of other continents, but because there can be no peace without justice! Let me be specific. I am talking about the basic aspirations of the Atlantic Charter. It is not just a nautical collection of fragmentary notes. It is bone and sinew of our flaming forward march. I quote:

"No aggrandizement, territorial or otherwise!"

"No territorial changes which do not accord with the freely expressed wishes of the people concerned!"

"The right of all peoples to choose the form of government under which they will live!"

"Sovereign rights and self-government restored to those who have been forcibly deprived of them!"

There will be differences of opinion in the grand alliance about the meaning of these precious things. I do not pretend to say that we, by dictation, can have it all our own way. But I do presume to say that, by the same token, no other member of the grand alliance by dictation, can have it all his own way either. I do not speak belligerently. I speak with deepest respect for the utterly magnificent contribution which each of our major allies is making to the coming victory. But I speak with equal respect for our own fabulous American contribution. I speak with a profound prayer that the friendly, helpful unity among us shall never fall apart. But I speak also in the belief that candor now will do more for this priceless unity than will disillusionment tomorrow.

Avoid Unilateral Decisions

This brings me to my third fundamental. The President has correctly said: "The nearer we come to vanquishing our enemies the more we become inevitably conscious of differences among the victors." How do these dangerous differences disclose themselves? Usually by unilateral decisions in which one or another among the United Nations makes its own announcement—pronounces its own ultimatum—regarding its own present or post-war plans and purposes. It puts its own interpretation upon its own rights regardless of the fact that these rights, for all of us, all flow from our common effort. I assert that all vital decisions should also flow from the same sort of a common effort.

Let me illustrate what I mean. The army that gets to Berlin first does not win for its nation the right to settle Germany's future just because it got to Berlin first. No nation's army would have reached Berlin at all except for the heroic, common combat of all the other nations' armies. This is just another way of saying that unity—unity for an ultimate lasting peace—is a constant, day-to-day necessity which must be nourished by all of us through constant, co-ordinated consultation—in war and then in peace—and through a reasonable regard for mutual sensibilities.

Now let's put these three fundamentals together and—in the name of honest, helpful candor—see whether they do not plainly point an immediate plan of action. You will remember the fundamentals. First: The inexpressively vital need to prevent World War III through collective security. Second: The paramount importance of a just peace if it is to be a permanent peace. Third: The hazard to these objectives if each of the United Nations starts going its own way even before we have clinched our total victory. Let's frankly face our American responsibilities in this connection.

It seems to me that the logic of the situation is fairly straight and simple.

Why do our allies take these disunifying steps? What's the reason given for partitioning Poland? For planning satellite conquests? For the Anglo-Soviet agreement of 1942, the Soviet-Czechoslovak agreement of 1943, the Franco-Soviet Treaty of 1944, and similar actions yet to come? What's the reason given for much of the resurgent movements toward alliances, and toward the old "power politics" which has been the world's prime curse? What's the reason?

Allies' Common Danger

It is a perfectly understandable reason. It is a perfectly human reason. It is the frankly expressed fear of reborn Axis aggression in the years to come. Twice within one generation our continental allies have seen the German monster rise and overwhelm them. Twice within one generation they have been driven to the valley of the shadow by military aggression. They do not propose to be exposed again. Unless and until they know that they can depend upon America to join effectively in keeping Germany and Japan de-militarized, they will continue to go their own way. The truth of the matter is that it was the failure to keep Germany demilitarized after World War I which made possible World War II.

In the face of these circumstances, my fellow citizens, I ask you whether our immediate duty —our tremendously great, immediate opportunity—is not clear? America has the same self-interest in keeping Germany and Japan permanently and effectively demilitarized as have her closer victims. America has the keenest sort of self-interest in preventing the threat of reborn Axis aggression from driving the rest of the world into another era of separate alliances because that, too, is the road to another war. In other words, here is one, common danger—one, common objective—in which we have a complete and basic common interest.

Why not face it now? Why not act now? Regardless of any other peace plans, and regardless of whether we agree or disagree among ourselves regarding them, here is one thing that must be done regardless of whether we do anything else at all. Here is one thing that must be done—namely, the permanent demilitarization of Germany and Japan—unless we are blinder than bats in respect to history, following World War I, and unless we are to be guilty of the colossal sin of dissipating victory after World War II.

Immediate Action Required

It is in response to this irresistible logic of events that I have proposed and continue to propose that America shall sign up now with all her major allies to join in a hard-and-fast treaty, solemnly ratified by the Senate of the United States, which pledges our constant armed co-operation, instantly and peremptorily available through the President of the United States without further reference to the Congress, to keep Germany and Japan out of piracy for keeps. I propose that we say—beyond misunderstanding—that this fiendish thing shall not rise again. I propose that we shall practice what we preach. I propose that no other nation shall have any further chance to use our silence as an alibi for ulterior designs, if such there be. I propose action instead of words. I propose action now—before it is too late. I propose it for the sake of a better world. But I say, "again and again and again," that I propose it for our own American self-interest.

Collateral Advantages

Aside from the incalculable major advantage thus to be gained, there are at least two collateral advantages of scarcely secondary moment. I discuss them briefly.

When we have relieved our allies of any legitimate fear of re-born Axis aggression, we also have relieved them of any legitimate need, each on his own uncheck account, to make unilateral decisions, from time to time, in the name of self-defense. We shall have earned the right to demand that whatever such decisions may have been made in the process of war—and I concede that such decisions may sometimes be unavoidable — we shall have earned the right to demand that all such decisions shall be subject to review and correction in the post-war peace by whatever international organization we set up to perpetuate the solidarity of the United Nations. In other words, and in plain terms, we shall have earned the right to demand peace with justice—the only kind of peace which can survive. A spoilsman's peace will not survive. Therefore, peace itself is the issue at this point. Furthermore, one of the greatest arguments against early action on the Dumbarton Oaks plan for a post-war league will have been substantially removed because, otherwise, it can be persuasively urged that America is asked to sign a warrant to help sustain an unknown future which may be too repugnant to us to deserve or to get any such fidelity from justice-loving America.

This brings me to the second collateral, but dreadfully important, dividend from this program. It brings me to Dumbarton Oaks. If we first deal with our enemies through unequivocal post-war restraints upon them, we have remaining only our friends to consider in charting the organization of our post-war peace league. This immensely simplifies our problem. The only real controversy inside America respecting Dumbarton Oaks is whether the President shall have the power, without reference to Congress, to join our armed forces with those of the peace league to stop renewed military aggression. After we have given him this unquestioned power in respect to our enemies, I think I can prove that the creation of such a power for use against our friends becomes almost an academic question from the standpoint of reality.

Upholds Dumbarton Oaks

Remember, we are now arranging a peace formula with our friends. We have taken care of our enemies. Remember that we are now talking only about the future use of force against one of our present allies who subsequently becomes a military aggressor to threaten the peace of the world. Obviously it can be only one of our present major allies. It will have to be a present major ally who has broken a solemn pledge to abandon force as an instrumentality of foreign policy. It will have to be a major ally who has successfully defied all of the intervening machinery for the pacific settlement of disputes contemplated by Dumbarton Oaks. This means full investigation and report; then conciliation; then mediation, then arbitration; probably the intervention of international law through the medium of a new world court; perhaps even economic sanctions. The new crisis will not be a blitz. It will not come upon the world like a thief in the night. It will finally reach the last recourse—namely, armed force—only after the other United Nations (which is to say, the conscience of the world) has been put upon serial notice that one of our present major allies has turned brute beast and proposes to assault civilization.

Such a challenge would be of such gravity that no President in his right mind—whether he has the actual power or not—would think for an instant of committing America to such a war without knowing that he had his country and the Congress behind him. On the other hand, no Congress would hesitate for an instant to respond to such a challenge. We declared war on Japan in thirteen minutes and on Germany in five. That ought to be sufficiently expeditious. In other words, I repeat, it means nothing, in a practical sense, whether the President himself is given this final power or not, so far as the functioning of the peace league is concerned. But, in a practical sense, it may mean infinitely much in the decision of the American people as to whether they might reject the whole Dumbarton Oaks adventure, if they are asked to give the President this exclusive power against one of our present allies in the face of a plain constitutional injunction that only Congress can declare war.

Military Action Constitutional

Oh, but, you ask, if "only Congress can declare war," how can you give the President plenary power to use our armed forces to keep the Axis permanently demilitarized? The answer is that for 150 years the Constitution has permitted the President to use this plenary power for "the national defense"—short of war—and it repeatedly has thus been used without question. The permanent demilitarization of the Axis, when once authorized by Congress through the Senate's ratification of a treaty, would not involve a new "declaration of war." It would only be the lengthened shadow of the present war. It would clearly fall within the Presidential authority under the Constitution.

Now you probably ask: "Should the peace league have no force available, except against our erstwhile foes?" My answer is that the peace league certainly should maintain constant staff work in planning the ultimate mobilization of military force; it certainly should have peremptorily available, so far as we are concerned, such military force as is traditionally granted under the Constitution to the President for "national defense"; but, remembering there is to be unlimited force for use against our present foes, it does not need the final war power which the Constitution of the United States commits exclusively to the Congress of the United States.

Justice Substituted for Force

My further, and fundamental, answer is that the genius of Dumbarton Oaks, in correct perspective, is not the use of military force at all. The genius of Dumbarton Oaks is the exact opposite. It is the substitution of justice for force. It is the substitution of international law for piracy. It is the substitution of peace for war. Its genius lies in the organization of these pacific mechanisms which shall stop future frictions short of the necessity for force. Its genius lies in the mobilization of the vigilant moral and spiritual power of enlightened civilization against the dark and èvil forces of recurrent savagery. If this power has been dormant and impotent it is because it has lacked a vigorous world instrument for organized expression. In my deep conviction, Dumbarton Oaks, in proper form, can supply this tremendous instrument.

All of these benedictions become possible just as soon as we have permanetly quarantined the Axis lusts. Oh, yes, I have oversimplified the problem. I have no illusions that this tough old world will suddenly quit its sins because a formula is born. I promise no millenium. I am not so naive as to believe that the earth can suddenly rid itself of national rivalries. But I respectfully submit that here lies a way of hope. It, or something like it, will take us out of our foreign policy vacuum. It will unite our tongues and once more make us vocal in behalf of our ideals. It will save us from the dangerous misunderstandings which our continued silence might invite. It will certainly promise a better peace and, therefore, a safer and a longer peace. And it is practical because it plainly conserves self-interest (unless "self interest" involves ulterior and sinister designs) for all concerned in this great fraternity of allied war.

Self Interest Maintained

I do not object, my fellow citizens, to the vigilance of any nation in behalf of its own self-interest. That is what nations are for. I am frank to say that I want our intelligent, American self-interest just as vigorously protected by our spokesmen as British self-interest is always protected by Mr. Churchill and as the self-interests of the Soviets always are protected by Mr. Stalin. But I cannot escape the conviction that an insurance policy against World War III. is basic in the self-interest of every civilized nation in this distraught world, America emphatically included.

Certainly that is an expession of American self-interest. We give up nothing except the inevitable curse of another involvement in another war if it ever comes. We do not sacrifice our independence. We join no world state. We do not desert the Constitution. We leave the Stars and Stripes in all their pride and glory on the domes of Washington. We simply join ourselves, in continued united fraternity with our battle comrades, in a great co-operative adventure for a better earth. We do it for the safe for free men in a free world. We do it in the name of justice. We do not do it if justice is denied. If we can start it now, our allied unity will have new vigor. The end of all our present wars will respond more quickly to our prayers. We shall vindicate our soldier-sons. We shall keep the word of promise to our hopes. We shall save our children's children. We shall have earned the right to beseech God's blessings on our dreams.

The State of Trade

(Continued from page 651)

low the corresponding week of 1944. Compared with a similar period of 1943, an increase of 24,200 cars, or 3.3% is shown.

Coal Industry—The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, places total production of soft coal in the week ended Jan. 27, 1945, at 11,680,000 net tons, a decrease of 280,000 tons, or 2.3% from the week previous. Production in the corresponding week of 1944 amounted to 12,830,000 tons.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended Jan. 27, 1945, was estimated at 959,000 tons, a decrease of 40,000 tons, or 4% from the preceding week. When compared with the corresponding week in 1944 a decrease of 315,000 tons, or 24.7% is reflected.

Beehive coke for the week ended Jan. 27 showed a decrease of 16,200 tons under the previous week, but was 71,200 tons less than for the similar week of 1944.

Crude Oil Production—Daily average gross crude oil production for the week ended Jan. 27, as estimated by the American Petroleum Institute, was 4,727,150 barrels. This represented a decrease of 6,600 barrels per day below the preceding week and 2,450 barrels higher than the daily average figure recommended by the Petroleum Administration for War for the month of January, 1945. When compared with the corresponding week last year, crude oil production was 317,700 barrels per day higher. For the four weeks ended Jan. 27, 1945, daily output averaged 4,715,500 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,756,000 barrels of crude oil daily and produced 14,957,000 barrels of gasoline. Kerosene output totaled 1,673,000 barrels with distillate fuel oil placed at 4,843,000 barrels and residual fuel oil at 9,252,000 barrels during the week ended Jan. 27, 1945. Storage supplies at the week-end totaled 46,412,000 barrels of civilian grade gasoline, 42,811,000 barrels of military and other gasoline; 9,481,000 barrels of kerosene; 33,651,000 barrels of distillate fuel oil and 51,119,000 barrels of residual fuel oil.

Lumber Shipments—The National Lumber Manufacturers Association reports that lumber shipments of 481 reporting mills were 7.3% above production for the week ended Jan. 27, 1945, while new records for these mills were 31.0% more than production. Unfilled order files amounted to 96% of stocks.

For the year-to-date shipments of reporting identical mills exceeded production by 5.9% and orders ran 22.6% above output.

Compared to the average corresponding week of 1935-39, production of reporting mills was 50.5% greater, shipments 37.3% greater, and orders 50.7% greater.

Retail Hardware Sales Up 10% in 1944—Sales of independent retail hardware stores in the United States showed an average gain of 10% in 1944 over volume for 1943, "Hardware Age" reported on Jan. 31, in its every-other-Thursday market summary. Sales for the same stores comparing December, 1944, with the same month of 1943, showed an average increase of 13%.

Paper Production—Paper production for the week ended Jan. 27 was 88.4% of capacity, as against a revised figure of 87.1% of capacity for the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. The rate during the week ended Jan. 29 last year, was 89.1% of capacity. As for paperboard, production for the same period was reported at 95% of capacity, a rise of 1 point from the previous week.

Silver—The London market was unchanged at 25½d for basis .999 silver. The New York Official for foreign silver continued at 44¾c. and 70⅝c. for domestic silver.

The WPB announced last week that distinctions between the use of Treasury "free" silver and domestic silver have been removed by Direction 3 to Order M-199. This Treasury silver can now be used for any purpose for which domestic silver could formerly be used. However, it does not increase the amounts of silver that may be used under WPB orders.

Business Failures—Commercial and industrial failures in the week ended Feb. 1 continued without change. Concerns failing, Dun & Bradstreet, Inc., reported, numbered 16, about half the 33 in the comparable week a year ago. Failures in different size and industry groups fluctuated only slightly, with a very small uptrend appearing in manufacturing and commercial service. Large failures with liabilities of $5,000 or more were unchanged at 13 in the week just ended, against 18 a year ago. Among the small concerns failing there was only one for every five in the same week of 1944. Canadian failures number five as compared with four in the previous week and three in corresponding week of 1944.

Food Price Index—The Dun & Bradstreet wholesale food price index for Jan. 30 fell one cent to $4.09, marking the first downward movement in the index since mid-September. The current figure compares with $4.03 a year ago, a rise of 1.5%. Advances during the week occurred in flour, wheat, rye, and lambs, while declines were registered in eggs and steers.

The index represents the sum total of the price per pound of 31 foods in general use.

Commodity Price Index—Leading commodity markets moved unevenly during the past week, although daily fluctuations were small. According to Dun & Bradstreet, Inc., daily wholesale commodity price index, a drop of 17 points occurred the past week, placing the index at 175.22 on Jan. 30, as against 175.39 a week earlier and at 171.77 on the corresponding date a year ago.

Grain markets were rather unsettled and cotton values continued the trend downward with spot quotations off about 35 points from the previous close. In the Boston market trading in domestic wools was considerably quieter last week. Despite continuing large needs, demand appeared less urgent following recent heavy purchasing by mills. Supplies of scoured domestic wools were reported very tight, with scouring facilities tied up for months ahead, causing a strong demand for scoured foreign wools.

Retail and Wholesale Trade—There was considerable fluctuation in retail sales volume for the country as a whole last week, but notwithstanding unusually cold weather over-all volume rose 5% above the previous week, according to Dun & Bradstreet, Inc. Winter goods were in exceptional demand as the principal sales continue to be in men's, women's and children's wear lines. Accessories and some household items were also very much in demand.

Food store sales kept at a steady high level in the face of some shortages and many retailers reported small gains over the comparable week of 1944.

Severe cold weather spurred sales of heavy clothing in apparel lines, with fur sales reflecting improvement for the week. An active sales pace for this season of the year was noted in spring apparel, especially suits and toppers. Handbags evinced a high level of interest along with costume jewelry, neckwear, and cosmetics, with customers stressing quality, reports the trade review.

Retailers of men's clothing reported a moderate decline in sales volume from the previous week and slightly below that of the same week of 1944, when stocks were larger and better balanced.

Furniture volume in the retail trade dipped slightly below the preceding week, but showed a favorable comparison with that of a year ago. Many requests for bed springs, wool rugs, some small electrical appliances and occasional pieces were reported by dealers. Demand, too, was maintained for pillow cases, sheets, towels, and similar household items. Sales in piece goods and notions departments remained at a constant high level; woolen rayon and cotton goods also were in demand.

Food distributers reported that volume held at a high level, about 10% above a year ago, and moderately above a week ago. Some scarcity was noted in meats, fruits and vegetables, but volume was well maintained with a persistent demand.

Total dollar volume for the country was estimated from 6 to 10% above a year ago. Regional percentage increases were: New England 3 to 5, East 6 to 9, Middle West 7 to 10, Northwest 4 to 7 South 9 to 14, Southwest 6 to 10, and the Pacific Coast 5 to 8%.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 17% ahead of a year ago for the week ended Jan. 27 1945. This compared with 11% in the preceding week. For the four weeks ended Jan. 27, 1945, sales increased 11%.

Sharp advances in dollar volume featured retail trade here in New York over a year ago. Winter and spring apparel commanded attention with sales of specialty shops also registering good progress. The proposed M-400 order of the WPB and the OPA had the effect of continued unsettlement in wholesale markets here turning out apparel and accessories. Spokesmen for several industries presented in Washington protests against the order as being unwarranted.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Jan. 27, 1945, increased by 18% over the same period of last year. This compared with an increase of 5% in the preceding week. For the four weeks ended Jan. 27, 1945, sales rose by 7%.

Rosenman on Foreign War Mission

It was announced at the White House on Jan. 22 that Judge Samuel I. Rosenman, Presidential counsel, has been given a mission to help iron out supply problems in England, France, Belgium and the Netherlands.

According to Associated Press advices from Washington, Presidential Secretary Early said the mission would involve supplies "other than finished munitions" and that it would deal mostly with supplies for civilians, but partly with military goods. After examining conditions abroad, Judge Rosenman will report to the President and resume his position as White House counsel. Mr. Early said his mission was in the joint interest of the United States, of the Allies, and of winning the war. In special Washington advices to the New York "Times" it was stated that Judge Rosenman will have the rank of minister and will represent the Foreign Economics Administration — besides making a personal survey for President Roosevelt.

Senate Passes Bill Separating RFC From Department of Commerce

Postpones Until Mar. 1 Action on Nomination of Wallace

The U. S. Senate on Feb. 1 passed the bill separating the Reconstruction Finance Corporation from the Department of Commerce, and at the same time postponed until March 1 action on the confirmation of the nomination of former Vice-President Henry A. Wallace for the post of Secretary of Commerce, in which he would replace Jesse H. Jones.

On Feb. 6 the House Banking Committee unanimously approved the bill to separate the RFC from the Commerce Department. Before the vote the Democrats on the Committee, 15 to 11, defeated a Republican attempt to repeal some of President Roosevelt's war powers, to prevent the assignment of duties other than those in the curtailed Commerce Department.

As was noted in our issue of Feb. 1, page 552, the Senate Commerce Committee on Jan. 22 rejected by a vote of 14 to 5 the nomination of Mr. Wallace for the Secretaryship. Details of the action of the President in deciding upon Mr. Wallace for the post were given in our item of a week ago—page 552. The Associated Press, in reporting the Senate action on Feb. 1, both as to the Wallace nomination and the George Bill, separating the RFC and its subsidiary agencies from the Commerce Department, had the following to say:

The confusion centering around the nomination of Wallace for the dual job held by Jesse Jones was rapidly cleared in this series of quick steps:

1—The Senate forestalled by a vote of 43-41 efforts to bring up Wallace's nomination immediately.

2—The George bill divorcing the multi-billion dollar lending agencies from the Commerce Department was passed, 74 to 12, and sent to the House.

3—Majority Leader Barkley of Kentucky then read a message, coming indirectly from the President, saying he would sign the George proposal.

This message promptly enhanced Wallace's chances of being confirmed as Secretary of Commerce —a post in which he would supervise the census, the weather bureau, the coast and geodetic survey, the civil aeronautics administration and statistical bureaus.

His opponents contended he didn't have the banking experience to handle the lending agencies.

Action on the pared down nomination, however, was put off until March 1 to allow the House time to pass and the President the opportunity to sign the separation bill. This was done on a voice vote.

By this compromise, the Administration broke through a road block set up by Senators who were all-out against Mr. Wallace's holding any public office and those who were willing for him to be Secretary of Commerce but would not vote to let him administer RFC.

This group admittedly represented a majority of the Senate and Wallace's supporters had conceded that the only way they could save the Cabinet appointment was to follow the procedure of letting the George bill become gress thus:

President Roosevelt's message responded to a plea made several days ago by Senator Barkley, who asked him to step into the fight over the former Vice-President. Judge Samuel I. Rosenman, Presidential adviser, paraphrased the President's message and passed it on to Mr. Barkley and the Congress thus:

"In 1942 when I (Mr. Roosevelt) transferred certain functions of the Federal loan agency to the Department of Commerce by executive order, I provided that they should be returned to that agency six months after the conclusion of the war or sooner, if the President or Congress should decide upon an earlier date.

"Therefore, should the Congress return these functions to the Federal loan agency at this time by the George resolution, I would approve the measure."

Mr. Wallace himself previously had told the Senate Commerce Committee that while he believed he should administer the loan agencies, he was willing to accept the Commerce portfolio without such authority and would serve in that job for the duration of the war.

Under the George bill, the RFC head would be appointed by the President, subject to Senate confirmation.

Asked for a statement on the Senate action today, Mr. Wallace told the reporters:

"It seems inappropriate for me to make any comment until March 1."

Before passing the George bill, the Senate adopted an amendment by Senator Harry F. Byrd (D-Va.) requiring a general accounting office audit of all independent Government corporations. He said there were 56 of these agencies, including the RFC.

The launching of a drive by Republicans on Feb. 2 to deprive President Roosevelt of all authority to assign any powers to Mr. Wallace except those of a trimmed-down Commerce Department, was reported in Associated Press accounts from Washington on Feb. 2, which in part added:

Republican Leader Martin, of Massachuetts, notified the House he would seek to amend the Senate's George bill to restrict the President's wartime power to reshuffle Federal agencies. This would repeal a part of the War Powers Act.

"Unless we do that," Martin said later, "the President could assign Wallace control over 25 or 30 Federal agencies not now under the Commerce Department."

The House Banking Committee indicated it would approve the bill overwhelmingly.

Payments to Life Policyholders Increase

Total payments to American policyholders and beneficiaries from their life insurance companies during the first eleven months of last year amounted to $2,256,371,000, or $112,392,000 more than in the same period of the previous year, it was reported by the Institute of Life Insurance on Jan. 30. The Institute further said:

"Death benefit payments, which were greater due to war claims under civilian policies owned by service men, accounted for most of the eleven-month increase in total payments. Such benefits in the period were $1,102,945,000, which was $102,048,000 more than in the same months of 1943.

"Direct benefits paid to living policyholders, excluding surrender values, totaled $944,193,000 in the eleven months or $66,945,000 more than in the same months of 1943. Of these matured endowment payments showed the greatest gain, the aggregate of $325,207,000 being $33,154,000, or 11% more than in 1943. Calls for policy cash surrender values accounted for $209,233,000 in the eleven months, a decrease of $56,601,000 or 21% from the 1943 figure.

"Total payments in November topped $200.000.000, with death benefits amounting to $101,740,000."

Senate Returns Anglo-American Oil Agreement to President Roosevelt

In accordance with the request of President Roosevelt the Senate on Jan. 15 by a voice vote returned to the President the Anglo-American petroleum agreement. The Senate recorded its action as follows:

"ORDERED, That the Secretary of the Senate be directed to return to the President of the United States, in compliance with his request of the 10th instant, the agreement on petroleum between the Government of the United States of America and the Government of United Kingdom of Great Britain and Northern Ireland, signed in Washington Aug. 8, 1944, printed as Executive F, Seventy-eighth Congress, second session."

In his message to the Senate on Jan. 10 the President said:

"To the Senate of the United States:

"Pursuant to the recommendation of the Secretary of State, on August 24, 1944, I transmitted to the Senate for its advice and consent to ratification an agreement on petroleum between the Governments of the United States and of the United Kingdom of Great Britain and Northern Ireland which was signed in Washington on August 8, 1944.

"At that time I considered that the agreement constituted an important step forward in removing possible causes of friction in international trade in petroleum and promoting cooperation among the nations in the development of that trade. I have not changed my opinion in this respect. However, I am informed that fears have been expressed as to the scope and effect of the document, as now worded; some voicing concern lest it authorize acts by the petroleum industry inconsistent with the provisions of existing law, others lest it hold potentialities harmful to the industry. It is my belief that these fears are without foundation. Certainly no such possibilities were intended or designed by the American representatives who negotiated the agreement.

"Since there is general accord that an understanding on international trade in petroleum between the United States and the United Kingdom is desirable and in the public interest, it would be unfortunate if this should be delayed, if not prevented, through a misunderstanding as to the purpose and scope of a particular document.

"The Secretary of State, accordingly has recommended that I request the Senate to return the agreement in order that consideration may be given, in consultation with the Government of the United Kingdom, to whatever revision appears to be necessary to achieve its objectives and to remove grounds for misunderstanding. I, therefore, request that the agreement be returned for this purpose.

"FRANKLIN D. ROOSEVELT.
"The White House,
"Jan. 10, 1945."

On Dec. 3 it was predicted by Chairman Connolly (Dem., Tex.) that the Anglo-American oil treaty would "never be ratified."

"It is my view that the treaty is unfair to the American oil industry and is not necessary for the general welfare," he declared in a brief statement, according to the Associated Press advices from Washington on that date in which he indicated that he had been opposed to ratification since it was first submitted to the committee."

The signing of the agreement on August 8 by Edward R. Stettinius Acting Secretary of State, and Lord Beaverbrook of the British Delegation as representatives of the United States and Great Britain was noted in our issue of Aug. 10, page 581.

Maverick Terms Remarks of Crawford Regarding France as Cruel and Hurtful to War Effort

Following his return from a month's tour of the Western Front, Maury Maverick, Chairman of the Smaller War Plants Corporation, urged on Jan. 18 immediate rehabilitation of the military and essential civilian production of France. Reporting his general impressions of his tour at a press conference on that date, Mr. Maverick, according to special advices from Washington to the New York Times described France as a prostrate country, without food, heat and employment, whose financial structure had fallen to pieces. The Times advices continued:

He attributed this situation to the vicious circle created by the lack of transportation because of a want of coal and, in reverse, no coal because of the absence of transportation facilities. In addition to the havoc caused by warfare, conditions have been aggravated by the Germans, who stole, pillaged and destroyed whatever they could in their retreat.

Deploring reports suggesting a contrary picture of France, Mr. Maverick singled out the comment made early this month by Frederick C. Crawford, President of Thompson Products, Inc., and former President of the National Association of Manufacturers, who reported that there was prosperity rather than acute suffering after a recent visit to France. Mr. Crawford's picture was based on misinformation gathered from unreliable sources, Mr. Maverick said.

It was a matter of military necessity to revitalize French industry, not only because a discontented population was a source of potential danger but because factories in France and Belgium would be able to produce war materials for the Allied armies, Mr. Maverick contended. He told of one plant in Belgium that is producing 113 items for the American Army, and he said he saw numerous rubber, textile and steel plants in France that were closed because of a lack of raw materials.

The British people are "so much better off than the French that there is no comparison," he added, repeating his plea that a way has to be found to supply France, particularly since no great amount of materials was needed, in his opinion.

Mr. Maverick also urged, said the same advices, a threefold increase in the production of military supplies, enactment of draft legislation, more detailed information on the fighting in Europe and greater sacrifice on the home front.

In Associated Press accounts from Washington on Jan. 18 it was indicated that Mr. Maverick in taking sharp issue with Mr. Crawford's statement as to conditions in France described his comments as "superficial, cruel, obnoxious," and "hurtful to the war effort."

In our issue of Jan. 18, page 286, we reported Jean Ravaud, President of the French Chamber of Commerce of the United States Inc., as also having taken exception to Mr. Crawford's remarks regarding France.

Request by Byrnes for Cancellation of Conventions After Feb. 1—Policy Committee

Col. J. Monroe Johnson, who on Jan. 5 was appointed, with the approval of the President, head of a committee "to receive and pass upon applications for the holding of group meetings after February 1 which are to be attended by more than 50 persons to determine if the need for these meetings is sufficiently in the war interest to warrant the tax on transportation and services," announces that other committee members are Under Secretary of War Robert P. Patterson, Under Secretary of Navy Ralph A. Bard, Chairman of the War Production Board J. A. Krug, and Deputy Chairman of the War Manpower Commission Charles M. Hay.

The cancellation of conventions and group meetings after Feb. 1 requiring the attendance of more than 50 people was requested by James F. Byrnes, Director of War Mobilization and Conversion on Jan. 5, who at the same time announced the appointment of the committee headed by Col. Johnson; the action is designed to curtail non-essential travel; the Office of Defense Transportation in an announcement Jan. 5 said:

Commenting on Director of War Mobilization and Reconversion Byrnes' appeal for a curtailment of nonessential travel and particularly for a cessation of group meetings, such as conventions and trade shows not necessary in the war effort, Col. Johnson said, "the committee is very anxious that the objectives of Justice Byrnes request—relief of overburdened transportation and housing facilities—be fully and speedily attained." Col. Johnson added, "We have all been concerned not only about the problem of absenteeism of workers engaged in the producing and transporting of desperately needed war materials but also over executive absenteeism caused by attendance at the many conventions, industry meetings, trade shows and conferences."

The Committee will meet promptly Col. Johnson said, to determine its policy and to develop the information required to properly pass upon application for special permits.

Col. Johnson announced that he has appointed Richard H. Clare, on leave from the Pennsylvania Railroad, as his special assistant in this matter and will recommend to the Committee his appointment as secretary.

President Roosevelt Commends Wallace In Message Read at Testimonial Dinner

A message from President Roosevelt commending the contribution "to our times and our future" of Henry A. Wallace, recently Vice-President, and who has been named by the President as Secretary of Commerce, succeeding Jesse H. Jones, was read at a testimonial dinner to Mr. Wallace at the Hotel Commodore in New York on Jan. 29. The dinner was sponsored by the Union for Democratic Action and the "New Republic" magazine. The President in his message stated: "I count on his (Mr. Wallace's) aid, his wisdom and his courage in the difficult ways to the magnificent hopes we hold for a world worthy of his faith in the people and of the struggles of free people everywhere." Mr. Wallace was also a speaker at the dinner and his remarks had to do with his nomination and those in the Senate opposing it. The President's message to the gathering read as follows:

"I was glad to hear of your testimonial dinner to Henry Wallace. I am happy to send a message. Indeed, whenever and wherever men gather to give testimony to the contribution of Henry Wallace to our times and our future, I want to be called as a witness. With other Americans, I am grateful for the things that Henry Wallace has done as a great Secretary of Agriculture and as a Vice-President with a clear voice to the conscience and the hopes of men everywhere. You and I can be grateful also for what Henry Wallace is in the meaning of the things we have been trying to do to make a better America and, in the war we now wage, to make a better world.

"Henry Wallace comes to the end of his term as Vice-President as a man moving to a new usefulness as public servant and as a first spokesman of faith in the dignity and freedom of man. The occasion of the dinner, I am sure, is not one of farewell. America, its people, and its Government need Henry Wallace now more than ever before. I count on his aid, his wisdom and his courage in the difficult ways to the magnificent hopes we hold for a world worthy of his faith in the people and of the struggles of free people everywhere, which have so splendidly justified that faith."

Mrs. Roosevelt, who attended the dinner, brought the President's message to the gathering. In part, Mr. Wallace had the following to say in addressing the gathering:

"The current situation is not one of personalities, neither is it one of personal prestige. My good friend, Senator Bailey, knows that Senatorial rejection will enhance my personal prestige. So far as I know the Senators who are most vigorously opposing me like and esteem me as a man. As Senator Bailey knows of his own personal knowledge, I have no bitterness in this controversy concerning anyone. But men represent issues and the issues are so important that all of us sooner or later will have to stand up and be counted.

In this audience are representatives of many groups, which fought for Roosevelt in the last campaign.

"The one outstanding domestic issue in the campaign was set forth by Roosevelt last October at Chicago—sixty million jobs and an "Economic Bill of Rights." Those who voted against me in the committee, and I say this in all charity, either believe in policies which will make sixty million jobs impossible, or wish to destroy all possibility of a propressive Democratic party as a national force.

* * *

"The RFC is certain to be a headache for anyone. Even with all the Government auditing I have asked for, even with the Congressional investigation I hope for and which the public has long been entitled to, I can well realize that the tremendous ramifications of the RFC are such as to involve a succession of controversial problems as soon as the war is over. Commerce is the staff agency. RFC is in some measure the front-line action agency. While the Senate would relieve me of a great burden by giving me Commerce without RFC, I feel that from the standpoint of the sixty million workers, the profits of business, the income of farmers, the welfare of the country as a whole, and the protection of the United States Treasury, I could do a better job if the two were combined than if they were separated. Undoubtedly many good men can be found to head the loan agency, but I wish to make it clear to you that if there were serious danger of a "too-little" and "too-late" man being appointed, I would prefer not to be Secretary of Commerce."

From Washington Ahead Of The News

(Continued from first page)

of January 1 of that year, the Government's proprietary interest totaled $11,671,000,000; the privately owned interest was $439,000,000. Real estate and other property held for sale was $1,654,000,000; they had a monthly payroll of $19,025,787; their number of employes was 109,519. Eight of the agencies had a borrowing power of $31,185,072,500. Many of the others are unlimited.

There is not anything particular new in the spectacle. The report of the National Citizens Committee and that of the Byrd Committee, are old stuff to informed persons. The important thing is that Senator Byrd and those of his mind have never thought it advisable to try to do anything definite about it until now. The Wallace case, and the interest that has been stirred up about whether he should control the loan agencies, and the reaction they have got, has influenced them to strike now to bring all of these loose and far-flung activities back under the thumbs of Congress. Senator Byrd together with Senator Butler of Nebraska, has introduced a bill to that end.

Aside from this, all of the groups out in the country that have been concerned, and that have been impatient over the lack of anybody's doing anything about it, are being activated. There is developing a "movement" to the end of Congress' getting control over such enterprises as the TVA, the RFC, the Commodity Credit Corporation and sundry others.

It will be a major fight. Just how it will come out is too early to foresee. But it is a fact that the time never seemed to be more propitious to strike. Congess is in the mood. There is not the slightest doubt that had it not been for the George bill, the Senate would have voted Wallace down for any job. The interjection of that bill has given some Senators, who were reluctant to be so brutal, something to hide behind. The bill is meeting with such a reception in the House, that they may have to vote Wallace down after all, and if the proposition is put up to them direct, they will not hesitate to do so.

The Congress is not turning out to be as this writer would have predicted. He was frankly a little annoyed during the recent campaign at people who said they were voting for Roosevelt because of the war, but intended to set up a strong Congress against him. The average member of Congress being what we have known him to be, we thought he would be completely awed by a Fourth Term victory and would revert back to the rubber stamp which he had been until the Republican infusion of 1942.

It is apparent that that is not happening. The Congress is challenging the CIO. A token of this was the House's revoting the Dies committee. That was just a token in the real scheme of things, and for the life of us, we couldn't see where a really worthwhile opportunity was to come for the Congress to really assert itself. The Wallace appointment gave that opportunity, and the Congrees seems to be going to town.

Manufacturers Trust Stockholders Meeting

The annual meeting of stockholders of Manufacturers Trust Co., held on Jan. 10, was presided over unexpectedly by Harvey D. Gibson, President of the bank, who is now serving as Commissioner of the American Red Cross to Great Britain and Western Europe. Mr. Gibson found it necessary to return to this country several days ago for a brief stay in connection with some important Red Cross matters.

Henry C. Von Elm, Vice-Chairman of the board of Manufacturers Trust Co., who read the annual report, stated that net operating earnings for the year 1944 had amounted to $8,011,681, or $4.86 a share after current operating expenses, dividends on preferred stock, and a reserve of $2,450,000 set up out of earnings to offset the approximate amount of tax savings during the year. This compares with net operating earnings of $7,202,416, or $4.36 a share shown for the year 1943. Of the total earned in 1944, $3,299,838 was paid in dividends to common stockholders. At the end of 1944 surplus and undivided profits was $52,604,010, as against $48,344,446 at the end of 1943. Net profits from the sale of securities amounted during 1944 to $4,006,352; miscellaneous recoveries and recoveries from items heretofore charged off totaled $1,371,578; miscellaneous assets were disposed of at an aggregate net gain against book value of $42,910. These amounts, less the net taxes payable on them, were credited to reserve account.

At the end of 1944 the bank's deposits amounted to $1,991,382,000, which included U. S. Government war loan deposits of $300,867,000. This gross amount was $410,473,000 more than a year ago. After deducting war loan deposit accounts from the gross amount in both years, deposits on Dec. 31, 1944, showed an increase of $242,704,000 over the corresponding day of 1943.

At the end of the year the bank's published resources for the first time aggregated over two billion dollars, namely, $2,100,298,087; capital funds, which include preferred and common stock, and surplus and undivided profits amounted to $93,612,370, as compared with a total of $89,650,526 at the end of 1943. This represents a gain of $3,961,843. This increase in capital funds is the balance of earnings for the year after the payment of $3,299,838 in dividends on common stock, and $750,000 for the redemption of preferred shares. The bank now has outstanding 400,496 preferred shares, having a par value of $20 a share, and redeemable at $50 a share plus accumulatetd dividends. Under the tetrms of the certificate of incorporation, $750,000 of this stock is redeemed each year on this basis.

Mr. Von Elm stated that the aggregate of commercial loans, including Government-guaranteed V and V-T loans, was somewhat higher than a year ago, although conditions due to the war, and the drastic limitations of normal business, have militated against any marked gain in this respect. He pointed out, however, that the present ability of both businesss and individuals to liquidate their indebtedness strengthens their position for the period of reconstruction, and promises well for a good volume on a sound basis just as soon aas peace-time production is resumed, and the accumulating demands for civilian goods can be satisfied. Mr. Von Elm set forth that, during recent years, Manufacturers Trust Co., through its industrial credit, personal loan and modernization loan departments, had been approaching gradually the field of instalment sales financing. The bank is now studying the advisability of establishing a consumer credit department which will finance instalment purchases, both wholesale and retail, of automobiles and the more important lines of consumer durable goods. Mr. Van Elm reported that the bank's holdings of U. S. Government securities at the end of the year aggregated $1,205,104,000, or 57% of the total assets. This was an increase of $860,000,000 since our entry into the war. During the year the bank continued to invest in Government securities of relatively short maturities, and the maturities to call date of all holdings of Government securities are now as follows: From Jan. 1, 1945, to Dec. 31, 1949, 63.59%; from Jan. 1, 1950, to Dec. 31, 1952, 36.41%. The average is three years, 5½ months to call date, and four years, 6½ months to final maturity. The bank's holdings of bonds, as well as of mortgages guaranteed by the Federal Housing Administration, were amortized in the amount of $2,513,819 during 1944, as compared with $2,812,278 in 1943. These amounts are net, after deducting recaptured amortization on such items sold, totaling $248,189 in 1944, and $38,442 in 1943, both of which amounts had previously been deducted from earnings.

In a special message from the American Red Cross Headquarters in London, read by Mr. Vor Elm at the meeting, Mr. Gibson touched on the plans that had been formulated by the American Red Cross during the early part of 1944 for continental operations with our forces, and stated that a staff of 26,000 people was now required for Red Cross service in Europe. Plans have already been formulated for carrying on Red Cross work after the cessation of hostilities, and the organization of the Commission to Great Britain and Western Europe is a strong one, so that Mr. Gibson will return to active duty at the bank in May, 1945.

Report Rise in Mtg. And Security Purchases By Life Ins. Institute

According to the Institute of Life Insurance the increased work necessary to keep invested funds productively employed today is shown by the figures of the Institute covering the mortgage and security purchases and holdings of all U. S. life insurance companies for the first eleven months of last year. In that period their aggregate purchases of such investments totaled $8,793,000,000, while the net increase in total mortgage and security holdings amounted to only $2,726,000,000. The Institute on Jan. 31 further said:

"This is even more strikingly seen when U. S. Government securities are excluded from the totals. The eleven months' purchases of mortgages and securities other than those of the U. S. Government totaled $2,900,000,000, while total holdings of these non-government investments at the end of the eleven months were actually $83,000,000 less than at the start of the year.

"Because of increased prepayments, refundings, maturities and replacements, the task of keeping the policy reserves at work has increased materially during the past two years. This year's total purchases of mortgages and securities will be more than three times the total of such purchases in pre-war 1940, although total assets of the business are only 33% larger than they were then."

U. S. Government securities purchased in the eleven months totaled $5,893,000,000, while net holdings of such securities increased by $2,809,000.000 to a November 30 total of $15.541.000,000. These figures do not take into account $2.500.000,000 war bond purchases in December for the Sixth War Loan.

Industrial Executives Appointed to Advise on Plans for Standards Work

A committee of eight industrial executives with Charles E. Wilson, President of the General Electric Company as Chairman, has been appointed by the Secretary of Commerce to advise the Department of Commerce and the American Standards Association on future plans for standards work. Announcement of this was made on Jan. 24, by the U. S Department of Commerce which said that "this appointment is the first action to come out of a conference of 50 business leaders held in New York on Jan. 12 at the invitation of the Secretary of Commerce to make recommendations to him in regard to the relative roles which should be played by Government and industry in standards activities."

Serving with Mr. Wilson on the Committee are: Frederick M. Feiker, Dean of Engineering George Washington University; Clarence Francis, Chairman of the Board General Foods Corp.; Ephraim Freedman, R. H. Macy & Company, Inc.; Frank B. Jewett, President National Academy of Sciences; William B. Warner, President McCall Corp.; Arthur D. Whiteside, President Dun & Bradstreet, Inc., and R. E. Zimmerman, Vice-President U. S. Steel Corp.

The advices from the Department of Commerce also said:

"The Conference, presided over by Wayne C. Taylor, Under Secretary of Commerce, recommended that industry should provide a strong leadership in the development of national standards and that this should be done in full cooperation with the Government. In a formal resolution it expressed the opinion that 'the rapid growth of standards activities, their extension into new fields, and the bearing of standards upon production and sale all make it important for top management to give attention to this matter and to provide for its orderly development."

The Conference noted with approval steps already taken by the American Standards Association to broaden the scope of its work to enable it to deal with any standard or standards project that deserves national recognition, whether in the field of engineering, or consumer goods. It recommended, however, that arrangements be made for broader participation of industry — both organized groups and individual companies—in the work of the American Standards Association.

"Much of the discussion in the Conference was devoted to standards for consumer goods, it being the general view that the post-war years would see extensive developments in this field.

"One member of the Conference said this part of the discussion could be summarized by the statement that, "However much we have differed on details, there is one point upon which there has been unanimous agreement, namely: that our customers are entitled to full information in regard to the products they buy from us."

SEC Rules on Status of Guaranteed Securities

The Securities and Exchange Commission on Jan. 11 announced the adoption of a rule dealing with the status of guaranteed securities under the diversification provisions of Section 5 of the Investment Company Act of 1940.

Under Section 5 (b) of the Act an investment company is considered a "diversified company" if at least 75% of its total assets is represented by cash, Government securities, securities of other investment companies and securities limited in respect of any one issuer to not more than 5% of the total assets of such investment company and to not more than 10% of the outstanding voting securities of such issuer. Since the term "security" is defined under the Act to include a guarantee of a security, the securities of "any one issuer" include guarantees of securities of other companies by such issuer. This situation presents difficult problems for the investment company in the valuation of guarantees and guaranteed securities in determining whether its investments meet the diversification standards of the Act. These problems are further complicated by multiple guarantees, guarantees solely of principal, or solely of interest, and guarantees which may expire prior to the maturity date of the guaranteed security.

The new rule adopted by the Commission alleviates these difficulties while retaining the basic diversification standards of the Act. The rule provides in effect that diversified investment companies may invest in guaranteed securities on the basis that the guarantor is not the issuer of the securities provided that the aggregate value of its investment in the direct issues of a company and the issues guaranteed by such company does not exceed 10% of the value of the total assets of the investment company. The rule does not affect the 5% and 10% limitations of Section 5 (b) as respects the direct obligations of issuers. The rule also provides that guarantees by a railroad of terminal, warehouse, switching or bridge company securities shall not be considered as securities of the railroad if the guaranteed security is guaranteed by more than one railroad no one of which controls all of its co-guarantors. The rule also makes clear that a lease or similar arrangement shall not be deemed in itself a guarantee.

The text of the Commission's action follows:

The Securities and Exchange Commission, acting pursuant to authority conferred upon it by the Investment Company Act of 1940, particularly Sections 5 (b) 6 (c) and 38 (a) thereof, and deeming such action necessary and appropriate in the public interest and for the protection of investors and necessary to carry out the provisions of the Act, hereby adopts rule N-5B-2 to read as follows:

Rule N-5B-2. **Exclusion of Certain Guarantees as Securities of the Guarantor.**

(a) For the purposes of Section 5 of the Act, a guarantee of a security shall not be deemed to be a security issued by the guarantor, provided that the value of all securities issued or guaranteed by the guarantor, and owned by the management company, does not exceed 10% of the value of the total assets of such management company.

(b) Notwithstanding paragraph (a) of this rule, for the purposes of Section 5 of the Act, a guarantee by a railroad company of a security issued by a terminal company, warehouse company, switching company, or bridge company, shall not be deemed to be a security issued by such railroad company provided:

(1) The security is guaranteed jointly or severally by more than one railroad company; and

(2) No one of such guaranteeing railroad companies directly or indirectly controls all of its co-guarantors.

(c) For the purposes of Section 5 of the Act, a lease or other arrangement whereby a railroad company is or becomes obligated to pay a stipulated annual sum or rental either to another railroad company or to the security holders of such other railroad company shall not be deemed in itself a guarantee.

War Commitments Listed by Jesse Jones

At the recent session of the Senate Commerce Committee on Jan. 24 Jesse H. Jones, retiring Secretary of Commerce, outlined the following wartime commitments of the Reconstruction Finance Corporation and its subsidiaries:

Total war authorizations, $32,300,000,000.

Rubber Reserve Company, $700,000,000.

Metals Reserve Company, $5,174,000,000.

Defense Plant Corporation, $10,704,935,000.

Defense Supplies Corporation, $10,350,000,000.

War Damage Corporation, $140,000,000,000 maximum insurance liability; $232,800 disbursed to date for enemy damage prior to July 1, 1942.

United States Commercial Company, $1,000,000,000.

Petroleum Reserves Corporation, $1,000,000,000.

Rubber Development Corporation, $150,000,000.

Loans to 5,825 going banks, 2,780 closed banks, 1,183 building and loan associations, 7 credit unions, 133 insurance companies, and 233 mortgage loan companies, totaling $3,395,440,000.

Investment of capital in 6,882 banks and ten fire and casualty insurance companies, aggregating $1,393,100,000.

Loans on 404 self-liquidating proj- and railroad receivers and trustees, aggregating $1,503,700,000.

Loans to 404 self-liquidating projects and projects authorized under Federal, state or municipal law, including public school districts, aggregating $831,700,000.

Loans to 668 drainage, levee and irrigation districts, involving disbursements of $100,780,000.

Purchase of 3,318 issues of securities from other governmental agencies having par value of $694,745,000 (including $201,000,000 railroad securities).

Loans numbering 12,102 to business and industry. (This is in addition to 11,216 business loans for defense and war.) The 22,341 business loans aggregate $2,838,400,000.

Loans for benefit of agriculture, totaling $2,485,000,000.

Loans totaling $1,011,500,000 to other governmental agencies for rural electrification, farm tenancy and rural rehabilitation.

Loans numbering 21,841 aggregating $47,385,000 directly or through Disaster Loan Corporation to sufferers from floods and other catastrophies.

One hundred and nineteen thousand, six hundred and fifty-seven loans aggregating $566,500,000 through the R. F. C. Mortgage Company and Federal National Mortgage Association to re-establish a normal market for mortgages on income-producing urban property and to provide a market for F. H. A.-insured mortgages.

National Bank of Mexico Increases Capital

The National Bank of Mexico, which has branches throughout the republic, announced on Jan. 18 an increase in its capital from 16,000,000 to 24,000,000 pesos ($4,800,000). This is learned from Mexico City Associated Press advices, which also stated that the bank will issue 160,000 shares with nominal value of 50 pesos each.

Changes in Holdings of Reacquired Stock Of N. Y. Stock & Curb Listed Firms

The New York Stock Exchange announced on Jan. 15 that the following companies have reported changes in the amount of stock held as heretofore reported by the Department of Stock List:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report	
Adams Express Company, The, common	1,113,414	1,113,899	
American Locomotive Company, 7% cum. pfd.	19,700	20,100	
Associates Investment Company, common	45,373	45,446	
Atlas Corporation, common	77,206	77,233	
6% preferred	42	None	
Bigelow-Sanford Carpet Co., Inc., common	None	5,000	(1)
Borden Company, The, capital	167,710	167,958	
Cuban-American Sugar Co., The, 7% pfd.	5,520	5,620	
Chicago and North Western Ry. Co., v.t.c. common	None	232,598	(2)
V.t.c. 5% preferred	None	155,434	(2)
Davega Stores Corporation, 5% cumulative preferred	253	None	
E. I. du Pont de Nemours & Co., common	12,836	12,867	
Florsheim Shoe Company, The, common	1,200	175	
Gimbel Brothers, $6 cumulative preferred	12,811	13,211	
General Motors Corporation, common	78,500	86,924	
International Minerals & Chemical Corp., common	133,529	125,159	
Johnson & Johnson, common	41,899	38,736	(3)
Cumulative second preferred	1,888	1,710	(4)
Kroger Grocery & Baking Co., The, common	11,689	None	
National Lead Company, 7% A preferred	19,883	15,883	
Newport News Shipbuild. & Dry Dock Co., $5 cum. conv.	36,700	37,000	
Norfolk & Western Railway Co., adjusted preferred	9,887	9,967	
Petroleum Corporation of America, capital	6,300	7,000	
Plymouth Oil Company, common	1,699	1,899	
Purity Bakeries Corporation, common	31,349	31,269	
Sterling Drug Inc., capital	34	35	
Texas Company, The, capital	814,211	814,129	
Transamerica Corporation, capital	1,262,545	1,264,350	
United Merchants & Mfrs. Manage. Corp., 5% cum. pfd.	3,305	305	
United States Gypsum Company, common	54,681	54,310	
Universal Laboratories, Inc., 7% preferred	1,568	None	

NOTES

1. Acquired during November, 1944.
2. Acquired July 25, 1944, from Reconstruction Finance Corp.
3. 560 shares acquired—3,723 share decrease represents shares delivered under Employees Extra Compensation Plan.
4. 178 share decrease represents shares delivered under Employees Extra Compensation Plan.

The New York Curb Exchange made available on Jan. 20, the following list of issuers of fully listed securities which have reported changes in their holdings of reacquired stock:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
American Cities Pw. & Lt. Corp. cv. A. opt. div. ser.	800	None
American Cities Pw. & Lt. Corp., A opt. div. ser. 1936	600	None
American General Corporation, common	395,587	417,035
Bourjois, Inc., common	22,100	27,551
Dennison Manufacturing Co., "A" common	11,056	11,087
Detroit Gasket & Mfg. Co., 6% preferred	10,966	10,991
Equity Corp., $3 convertible preferred	73,177	73,445
Fuller (Geo. A.) Co., common	214	217
Kleinert (I. B.) Rubber Co., common	27,037	27,537
Neptune Meter Co., "A" common	11,167	11,168
New York Merchandise Co., Inc., common	129,331	130,331
Ogden Corp., common	462	463
Sterling, Inc., common	75,200	115,028

Churchill Declares U. S. Armies Have Done Almost All Fighting Against Rundstedt Offensive

Holds to Principle of Unconditional Surrender

That American Armies "have done almost all the fighting" and "have lost 60 to 80 men for every one of ours" on the Western Front since the Germans launched their bitter counter-offensive Dec. 16, was a statement contained in an address on Jan. 18 by Prime Minister Winston Churchill in the British House of Commons. Indicating further what the Prime Minister had to say in the matter, Associated Press advices from London on Jan. 18 reported him as follows:

"This is the greatest American battle of the war and will be regarded, I think, as an ever-famous American victory," Mr. Churchill told the House of Commons.

"We ourselves a month or two earlier lost 40,000 men in opening the Scheldt," he said, "but the bulk of our armies on this occasion when von Rundstedt attacked was separated by scores of miles from the impact of the new offensive."

In the fighting during the last month, Mr. Churchill disclosed, only one British Army Corps has been engaged and all the rest of the thirty or more divisions have been American troops.

Describing German Field Marshal Gen. Karl von Rundstedt's counter-stroke as "resolute, wise and militarily correct," the Prime Minister said:

"Field Marshal Montgomery and Gen. Omar Bradley handled their forces in a manner which may become a model for the future, and all the troops fought in magnificent fashion."

Declaring that he had no doubt that the decisive shattering of the German offensive in the west was "more likely to shorten this war than to lengthen it," the Prime Minister said:

"Let the Germans dismiss from their minds any idea that losses or setbacks of the kind we have witnessed will turn us from our purpose."

The German counter-offensive, he declared, had "in no wise delayed, nor still less averted, the doom that is closing in upon them."

Cheering greeted Mr. Churchill's caution that "care must be taken in telling our proud tale not to claim for the British armies an undue share of what is undoubtedly the greatest American battle in the war."

"They have suffered losses almost equal to those of both sides at the Battle of Gettysburg," he said. "I have never hesitated to stand up for our own soldiers when their achievements have been cold-shouldered or neglected or over-shadowed, as they sometimes are, but we must not forget that it is to American homes that the telegrams of personal loss and anxiety have been coming during the past month and that there has been a hard and severe ordeal during these weeks for our brave and cherished ally."

From the Prime Minister's address we also quote:

"The principle of unconditional surrender was proclaimed by the President of the United States at Casablanca and I indorsed it there and then on behalf of this country.

"I am sure it was right at the time when it was used, when many things hung in the balance against us, and . . . I am clear that nothing should induce us to abandon the principle of unconditional surrender and enter into any form of negotiation with Germany or Japan, in whatever guise such suggestions may present themselves, until the act of unconditional surrender has been formally executed.

"But the President of the United States, and I in your name, have repeatedly declared that the enforcement of unconditional surrender upon the enemy in no way relieves the victorious powers of all their obligations to humanity or of their duties as civilized and Christian nations."

In his speech Mr. Churchill announced that he and Premier Stalin had arrived at an agreement on dealing with the Balkans so as to prevent future wars, and that President Roosevelt has been kept constantly informed.

From London Associated Press advises as given in the New York "Sun" we also quote in part as follows regarding the Prime Minister's remarks:

He also revealed that the present Russian drive was part of a co-ordinated victory plan to keep all fronts in constant flame until the final climax, and he once more indorsed the Allied demand for the unconditional surrender of Germany and Japan.

* * *

Observing that "Marshall Stalin is very punctual" in keeping his obligations to the Allies, Mr. Churchill said he would not attempt to "set limits to the superb and titanic events" unfolding on the eastern front.

"I can only say," he said, "that it is certain that the whole eastern and western fronts and on the long front in Italy, where twenty-seven German divisions are still held by no more than their own number, will be kept henceforth in constant flame until the final climax is reached."

The Prime Minister also declared that Gen. MacArthur's "recovery of the Philippines" was a "fearful warning to the Japanese of their impending defeat and ruin."

At one point he apparently warned the House not to divide on his policies, declaring:

"I would warn the House that if we are going to tear ourselves asunder over all the feuds and passions of the Balkan countries which our armies have liberated we shall find ourselves incapable of making great settlements after the war."

Without directly mentioning the United States policy of "non-interference," Mr. Churchill said he had been exchanging personal telegrams with Stalin "about what is the best thing to do" and asserted "we keep President Roosevelt constantly informed."

And in face of appeals for leniency for revolting ELAS forces in Greece, the Prime Minister warned that whether it is popular or not we shall not hesitate to rescue these hostages (taken by the ELAS) and punish their slaughter or maltreatment.

In closing his two-hour long address—which was broken by time out for luncheon — Mr. Churchill brought the House to its feet cheering as he asserted:

"We seek no territory, we covet no oil fields, we demand no bases for the forces of the air or of the sea.

"We do not set ourselves up in rivalry or bigness or might with any other community in the world. We have given and we shall continue to give everything we have. We ask nothing in return except that consideration and respect which is our due and if that were denied us we shall still have a good conscience.

"Let none either in our country or Commonwealth or in the outside world misname us, traduce our methods. Our actions are no doubt subject to human error but our actions in small things and great are disinterested, lofty and true. I repulse those calumnies, wherever they come from, that Britain and the British Empire are selfish, power greedy and land greedy and obsessed by dark schemes of European intrigue or Colonial expansion.

"The British Commonwealth and nation may rest assured that the Union Jack of freedom will forever fly from the White Cliffs of Dover."

Observing that the hard lot of having to play a leading role in the Mediterranean had fallen to Great Britain, Mr. Churchill added: "We must take care that all the blame of things going wrong is not thrown on us."

Then he repeated that Britain had only one principle to uphold in the liberated countries or repentant satellites, and that was—"Government of the people, by the people, for the people, set up on a basis of free and universal suffrage election with secrecy of the ballot and no intimidation." His definition of Britain's foreign policy in the newly freed countries brought cheers from the House.

Mr. Churchill said that he understood King Peter's point of view in attempting to avoid complications before a plebiscite on whether Yugoslavia wished to be a monarchy or a republic, but he asserted firmly: "Scruples must be respected, but cannot necessarily in these times indefinitely prevent the march of events."

In Greece, Mr. Churchill said Great Britain is guided by a policy of victory against the Germans, and had given support to the most coherent and substantial government machine that could be found. He said that England was seeking maintenance of law and order to be followed by a fair plebiscite and election "and then exit at the earliest possible moment."

Taking up contention between the British and the American press, Mr. Churchill said that never before in his experience had the British Government been "so maligned and its motives so traduced in our own country by important organs of the press and among our own people."

"How can we wonder, still less how can we complain of the attitude of hostile or indifferent newspapers in the United States," he asked, "when we have in this country witnessed such a melancholy exhibition as that provided by some of our time-honored and responsible journals and others to which such epithets could hardly apply."

Individual Savings Accounts Up in N. Y.

Individual savings accounts increased by 21% or $27,690,143 during 1944, the Council of Insured Savings Associations of New York State reported in its annual review of operations of its 32 member associations. At the close of the year these associations reported 183,410 savings accounts with an average balance of $858. Their resources totaled $182,378,188. The announcement from the Council also said:

"The entire increase in savings from the public was reinvested in government bonds. The investments in government bonds increased by $28.080.000 during the year to $38,905,676 at the close. Cash and government bonds combined equalled 28.3% of the associations' total resources. War bond sales to the public in 1944 totaled $24,252,251. The number of bonds sold was 238,024 which was an average of 744 war bonds sold by each employee. The combined total of savings accounted for by these insured savings associations in 1944 was $51,942,394, all of which went into government bonds to aid in financing the war.

Home financing volume reached its wartime low in January, 1944 and in the last half of the year the trend was sharply upward. In the last six months of 1944 the Council members financed the purchase of 3.001 homes with loans totaling $14.889,835. This represented a 55% increase over the first half of the year and a 112.7% increase over the last half of 1943.

NY Savs. & Loan Ass'ns Assets $600 Million

The total assets of the 244 savings and loan associations, for the first time in their 109 years of operation, reached the $600.000,000 mark on Jan. 20th, according to estimated figures released by Zeublon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations, on Jan. 22. It is added that savings by the general public in the associations increased approximately $73,000,000, or 16%, during 1944, of which $9,088,860, or 1.8%, represents an all-time high net gain for the month of December.

The New York State Savings and Loan League's advices continued:

"The bulk of new savings is being invested by the associations in United States Government bonds, the proportion of total resources invested in Government bonds in savings and loan associations having increased from 23.1% on Jan. 1, 1944, to 31.1% at the close of the year. In the Sixth War Loan Drive purchases of Government bonds by the associations for their investment portfolios totaled $33,164,700, exceeding their drive quota of $22.500,000 by 47%. Sales of E, F, G and other bonds to the general public during the drive aggregated $12,939,975, maturity value, against a State-wide quota of $12.500,000 for New York associations.

Mr. Woodard estimated that the volume of mortgage loans made by the associations in 1944 reached a peak of $80.000,000, which represents an increase of 52% over 1943 when mortgage loans recorded totaled $52,884,311. For December, 1944, an increase of 33%, or $1,597,696, was shown as compared to the same month in 1943. Of the $6,409,672 loans granted during December, 1944, $5,279,792 were for the purchase of homes, and $822,876 for refinancing, while construction, repair and other loans amounted to $307,004."

Berle Assumes Post As Ambassador to Brazil

Adolf A. Berle, Jr., until recently an Assistant Secretary of State, arrived in Rio de Janeiro on Jan. 24 to assume his new post as Ambassador to Brazil. He was named to his new office by President Roosevelt on Jan. 10 to succeed Jefferson Caffery, who has become Ambassador to France. The Senate confirmed Mr. Berle's nomination on Jan. 18, and on Jan. 20 he took the oath of office in Washington. He resigned as Assistant Secretary in December (as noted in our Dec. 7 issue, page 2525) with the reorganization of the Department by Secretary of State Edward R. Stettinius, Jr. With his arrival at Rio de Janeiro Ambassador Berle was hailed by the press as a great Pan-American and friend, said special advices from there on Jan. 24 to the New York "Times," which further stated:

"Brazilians feel honored by the fact that he is the first non-career United States diplomat to fill the post here.

"Newspaper editorials today all hammered the same key—that the close relations existing between the United States and Brazil should be strengthened still more after the war. They believe Mr. Berle will do that and point out that Brazil holds an outstanding position in world affairs. The significance of the appointment was the theme of comment."

National Fertilizer Association Commodity Price Index Registers Small Decline

The weekly wholesale commodity price index, compiled by The National Fertilizer Association, and made public on Feb. 5, declined fractionally to 140.0 in the week ending Feb. 3, 1945, from 140.1 in the preceding week. A month ago the index stood at the high point of 140.1, and a year ago at 137.2, based on the 1935-1939 average as 100. The Association's report continued as follows:

Two of the composite groups of the index declined and one advanced with the price changes moving within a narrow range. The foods index declined to its level of Oct. 14, 1944 with the prices of oranges, eggs and flour declining and those for dressed chickens advancing. The textiles index declined for the third consecutive week reflecting the downward trend in the prices for raw cotton. The farm products group index was the only one that advanced and it showed only a small advance. The cotton subgroup again declined. The grains index advanced with higher quotations for wheat and rye. The livestock index showed a fractional increase with higher prices for lambs, sheep and poultry just a little more than offsetting declining prices for eggs. All other groups in the index remained the same.

During the week 4 price series in the index declined and 7 advanced; in the preceding week there were 3 declines and 9 advances; in the second preceding week there were 8 declines and 9 advances.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Feb. 3, 1945	Preceding Week Jan. 27, 1945	Month Ago Jan. 6, 1944	Year Ago Feb. 5, 1944
25.3	Food	142.9	143.4	143.9	139.7
	Fats and Oils	144.9	144.9	144.6	146.1
	Cottonseed Oil	161.8	161.8	160.7	159.6
23.0	Farm Products	165.0	164.9	165.9	156.5
	Cotton	202.9	203.5	207.2	196.5
	Grains	161.8	161.2	159.9	164.8
	Livestock	160.3	160.2	161.4	147.5
17.3	Fuels	130.4	130.4	130.4	129.5
10.8	Miscellaneous Commodities	133.4	133.4	133.4	131.4
8.2	Textiles	155.4	155.5	156.1	151.4
7.1	Metals	106.4	106.4	105.8	104.4
6.1	Building Materials	154.1	154.1	154.1	152.4
1.3	Chemicals and Drugs	125.4	125.4	125.4	127.7
.3	Fertilizer Materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.2
100.0	All groups combined	140.0	140.1	140.1	137.2

*Indexes on 1926-1928 base were: Feb. 3, 1945, 109.1; Jan. 27, 1945, 109.1, and Feb. 5, 1944, 106.9.

Bankers' Dollar Acceptances Outstanding on Dec. 30 Increase to $115,336,000

The volume of bankers' dollar acceptances outstanding on Dec. 30 amounted to $128,944,000, an increase of $13,608,000 from the Nov. 30 total, according to the monthly acceptance survey issued Jan. 15, by the Federal Reserve Bank of New York. As compared with a year ago, the Dec. 30 total represents a gain of $12,130,000.

In the month-to-month comparison, exports and those based on goods stored in or shipped between foreign countries were lower, and imports, domestic shipments, dollar exchange and domestic warehouse credits were higher, while in the yearly analysis all the items except domestic warehouse credits, and those based on goods stored or shipped between foreign countries for December, 1944, are higher than a year ago.

The Reserve Bank's report follows:

BANKERS DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	Dec. 30, '44	Nov. 30, '44	Dec. 31, '43
1 Boston	$22,558,000	$18,565,000	$21,083,000
2 New York	81,079,000	73,420,000	71,133,000
3 Philadelphia	8,842,000	8,042,000	5,508,000
4 Cleveland	1,443,000	1,342,000	1,699,000
5 Richmond	790,000	536,000	2,059,000
6 Atlanta	3,532,000	2,906,000	2,268,000
7 Chicago	3,195,000	3,008,000	3,634,000
8 St. Louis	530,000	461,000	437,000
9 Minneapolis	27,000	25,000	43,000
10 Kansas City	------	------	------
11 Dallas	126,000	214,000	510,000
12 San Francisco	6,822,000	6,817,000	8,440,000
Grand Total	$128,944,000	$115,336,000	$116,814,000

Increase for month $13,608,000 Increase for year $12,130,000

ACCORDING TO NATURE OF CREDIT

	Dec. 30, '44	Nov. 30, '44	Dec. 31, '43
Imports	$86,347,000	$73,759,000	$65,926,000
Exports	14,188,000	14,194,000	11,490,000
Domestic shipments	13,500,000	12,251,000	9,581,000
Domestic warehouse credits	11,432,000	11,366,000	20,889,000
Dollar exchange	229,000	82,000	64,000
Based on goods stored in or shipped between foreign countries	3,248,000	3,684,000	8,864,000

BILLS HELD BY ACCEPTING BANKS

Own bills $43,914,000 Bills of others $49,571,000 Total $93,485,000

Increase for month $9,947,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES JAN. 15, 1945

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	½	7/16
60	½	7/16
90	½	7/16
120	9/16	½
150	⅝	9/16
180	⅝	9/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since Dec. 31, 1941:

1941—	$	1942—	$	1943—	
Dec. 31	194,220,000	Dec. 31	118,039,000	Dec. 31	116,814,000
1942—		1943—	$	1944—	
Jan. 31	197,278,000	Jan. 30	119,682,000	Jan. 31	120,497,000
Feb. 28	190,010,000	Feb. 27	127,062,000	Feb. 29	134,772,000
Mar. 31	182,675,000	Mar. 31	129,818,000	Mar. 31	129,358,000
Apr. 30	177,293,000	Apr. 30	128,350,000	Apr. 29	125,566,000
May 29	173,906,000	May 29	135,815,000	May 31	113,139,000
June 30	162,849,000	June 30	139,846,000	June 30	111,675,000
July 31	156,302,000	July 31	110,250,000	July 31	138,692,000
Aug. 31	139,304,000	Aug. 31	130,244,000	Aug. 31	109,632,000
Sept. 30	123,494,000	Sept. 30	117,016,000	Sept. 30	111,101,000
Oct. 31	118,581,000	Oct. 30	114,883,000	Oct. 31	114,953,000
Nov. 30	116,067,000	Nov. 30	111,289,000	Nov. 30	115,336,000
				Dec. 30	128,944,000

Federal Reserve December Business Indexes

The Board of Governors of the Federal Reserve System issued on Jan. 25 its monthly indexes of industrial production, factory employment and payrolls, etc. At the same time, the Board made available its customary summary of business conditions. The indexes for November, together with a comparison for a month and a year ago follow:

BUSINESS INDEXES

1939 average = 100 for factory employment and payrolls;
1923-25 average = 100 for construction contracts;
1935-39 average = 100 for all other series

	Adjusted for Seasonal Variation			Without Seasonal Adjustment			Annual Indexes	
	1944 Dec.	1944 Nov.	1943 Dec.	1944 Dec.	1944 Nov.	1943 Dec.	1944	1943
Industrial production—								
Total	*232	232	241	*230	232	239	*235	239
Manufactures—								
Total	*249	248	260	*247	248	258	*252	258
Durable	*343	341	365	*342	341	364	*353	360
Nondurable	*173	172	174	*171	173	172	*171	176
Minerals	*137	143	137	*132	140	132	*140	132
Construction contracts, value—								
Total	*55	46	61	*43	40	48	*41	68
Residential	*14	13	35	*12	13	30	*16	40
All other	*88	73	81	*69	63	63	*61	92
Factory employment—	*154.0	153.4	169.1	*154.3	153.5	169.4	*159.1	168.7
Total	*206.2	204.7	232.8	*206.1	204.9	232.7	*216.1	227.8
Durable goods	*112.8	112.9	118.9	*113.4	112.9	119.5	*114.2	122.1
Nondurable goods								
Factory payrolls—								
Total	---	---	---	†	311.6	328.3	†	316.4
Durable goods	---	---	---	†	425.9	461.2	†	441.1
Nondurable goods	---	---	---	†	199.7	198.4	†	194.4
Freight carloadings	137	141	‡143	128	144	133	140	137
Department store sales, value	193	210	165	312	248	273	†	168
Department store stocks, value	†	143	142	†	166	134	†	146

*Preliminary. †Data not yet available. ‡Revised.

Note—Production, carloading, and department store sales indexes based on daily averages. To convert durable manufactures, nondurable manufactures, and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, nondurable by .469, and minerals by .152.

Construction contract indexes based on 3-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION

(1935-39 average = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment			Annual Indexes	
	1944 Dec.	1944 Nov.	1943 Dec.	1944 Dec.	1944 Nov.	1943 Dec.	1944	1943
Manufactures—								
Iron and steel	196	201	200	196	201	200	206	208
Pig iron	190	192	198	190	192	198	200	198
Steel	211	218	222	211	218	222	*227	232
Open hearth	182	186	178	182	186	178	*186	184
Electric	418	453	536	418	453	536	*518	576
Machinery	*428	423	453	*428	423	453	*439	443
Transportation equipment	*708	699	763	*708	699	763	*719	735
Automobiles	*238	233	240	*238	233	240	*232	222
Nonferrous metals and products	†	239	277	†	239	278	*261	267
Smelting and refining	*187	191	306	*188	191	307	*247	277
Lumber and products	*121	122	137	*112	120	126	*125	129
Lumber	*111	112	131	*97	109	114	*115	119
Furniture	*142	141	150	*142	141	150	*144	149
Stone, clay and glass products	*161	160	169	*164	163	164	*164	173
Plate glass	51	56	55	51	56	55	*60	44
Cement	†	88	101	†	95	92	*78	125
Clay products	*118	116	122	*122	121	126	*123	134
Gypsum and plaster products	*174	175	192	*177	177	196	*183	198
Abrasive & asbestos products	*299	295	319	*299	295	319	*301	318
Textiles and products	*149	149	143	*149	149	143	*147	153
Cotton consumption	146	149	142	146	149	142	145	159
Rayon deliveries	*215	209	189	*215	209	189	*196	183
Wool textiles	†	143	142	†	143	142	*148	154
Leather products	*112	116	102	*112	118	101	*113	114
Tanning	†	112	97	†	116	96	*111	113
Cattle hide leathers	†	122	98	†	127	98	*120	119
Calf and kip leathers	†	84	68	†	86	66	*83	84
Goat and kid leathers	†	81	83	†	79	84	*82	87
Sheep and lamb leathers	†	144	162	†	153	154	*151	166
Shoes	*112	119	105	*112	119	105	*114	114
Manufactured food products	*152	153	151	*147	154	147	*152	145
Wheat flour	*124	125	128	*123	126	126	*119	115
Meatpacking	*155	158	173	*181	175	205	*177	165
Other manufactured foods	*155	154	153	*152	160	149	*153	146
Processed fruits & vegetables	*144	145	142	*112	133	111	*133	129
Tobacco products	*131	135	143	121	137	132	125	133
Cigars	95	105	90	95	105	90	92	99
Cigarettes	155	157	181	142	160	167	152	164
Other tobacco products	108	107	99	95	110	87	86	89
Paper and products	†	143	132	†	143	131	*139	139
Paperboard	145	160	135	145	160	135	153	147
Newsprint production	85	81	83	84	82	82	79	89
Printing and publishing	*102	103	105	*104	107	108	*101	111
Newsprint consumption	84	86	89	88	93	93	85	99
Petroleum and coal products	†	266	219	†	266	219	*247	185
Petroleum refining	†	281	226	†	281	226	*258	188
Gasoline	*144	144	123	*144	144	123	*135	111
Fuel oil	†	165	159	†	165	159	*163	146
Lubricating oil	†	136	120	†	136	118	*129	121
Kerosene	†	124	120	†	128	124	*126	116
Coke	†	170	172	†	170	172	*172	167
Byproduct	†	164	161	†	164	161	*165	157
Beehive	*323	367	519	*323	367	519	*435	493
Chemicals	*313	306	365	*315	308	367	*324	384
Rayon	*250	243	226	*250	243	226	*236	215
Industrial chemicals	*394	394	394	*394	394	394	*404	367
Rubber	*233	230	240	*233	230	240	*233	228
Minerals—								
Fuels	*142	148	140	*142	148	140	*145	132
Bituminous coal	*138	155	156	*138	155	156	*156	147
Anthracite	*109	126	114	*109	126	114	*126	118
Crude petroleum	*147	148	136	*147	148	136	*143	128
Metals	†	111	124	†	88	87	*114	126
Iron ore	†	---	---	†	133	83	†	222

*Preliminary or estimated. †Data not yet available.

FREIGHT CARLOADINGS

(1935-39 average = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment			Annual Indexes	
Coal	127	143	147	127	143	147	144	138
Coke	166	181	192	175	181	202	186	186
Grain	134	150	153	126	147	144	139	146
Livestock	128	135	122	124	170	‡177	124	117
Forest products	135	138	‡155	120	135	138	144	141
Ore	133	153	209	41	138	65	181	192
Miscellaneous	151	149	148	142	155	139	147	145
Merchandise, l.c.l.	68	68	68	65	70	65	67	63

‡Revised.

Note—To convert coal and miscellaneous indexes to points in total index, shown in the Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Fulton Trust Co. Net Earnings in 1944

Arthur J. Morris, President of Fulton Trust Company of New York, announced on Jan. 17 at the annual meeting of the stockholders that the institution showed net current operating earnings of $202,789 or $10.13 per share in 1944, compared with $200,960 or $10.04 per share in 1943. Mr. Morris further reported that deposits for the year averaged $31,800,000, the highest figure being $39,000,000 on December 30th 1944. The latter figure, he said, "is the highest point in deposits in the history of the Company and the average deposits for 1944 exceeded the average for the previous year by $1,400,000."

Mr. Morris continued:

"In our portfolio, our investment in Government Securities at the end of the year totaled $32,336,000, an increase over the previous year of $6,736,000. These bonds have a maturity to the first call date as follows: 34% in one year, 35% from 1 to 5 years, 29.4% from 5 to 10 years, 1.6% over 10 years. The average maturity is three and one-half years. Our investments in Government Bonds represent 73% of our total resources.

"In the three War Loan Drives conducted during the year 1944, our customers subscribed through us to the various issues to a total of $32,454,700."

At the Stockholders' meeting of the Fulton Trust Company the following were elected. Directors for the term ended January, 1948: John A. Larkin, E. Townsend Irvin, Charles Scribner, Charles S. Brown and Charles J. Nourse. The following were elected as Inspectors of Election for 1946; F. Ashton de Peyster, Matthew G. Ely and Walter N. Stillman.

Officers Reelected by Newark Clearing House

At the 23rd annual meeting of the Newark (N. J.) Clearing House Association held January 16, the following officers were reelected:

President, W. Paul Stillman, President, National State Bank, Newark; Vice President, Robert G. Cowan, President, National Newark and Essex Banking Company, Newark; Treasurer, Carl K. Withers, President, Lincoln National Bank, Newark; Secretary, T. L. R. Crooks, President, Clinton Trust Co., Newark. Frank C. Mindnich, President of the Federal Trust Company, Newark, was reelected a member of the Clearing House Committee; other members of which are beside Mr. Stillman and Mr. Cowan: Horace K. Corbin, President, Fidelity Union Trust Co., Newark; Ray E. Mayham, President, West Side Trust Company, Newark, and Julius S. Rippel, President of the Merchants and Newark Trust Company, Newark. Russel W. Lynn continues as Manager-Examiner.

Standing committee reappointments were: Managing Committee, Roy F. Duke, Chairman, Vice-President, Fidelity Union Trust Co.; David J. Connolly, Vice-President, Federal Trust Company; John T. Corsa, Vice-President, National State Bank; Stanley J. Marek, Secretary-Treasurer, Franklin Washington Trust Co.; Committee on Admissions, Ralph W. Crum, Chairman, President, United States Trust Co.; Frederick J. Kugelmann, Cashier, National State Bank, and Francis R. Steyert, President, South Orange Trust Co.; Arthur E. Kean, Jr., Cashier, Lincoln National Bank, and Gustave E. Wiedenmayer, Vice-President and Cashier, National Newark and Essex Banking Company, make up the Advisory Committee.

Daily Average Crude Oil Production for Week Ended Jan. 27, 1945, Decreased 6,600 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 27, 1945, was 4,727,150 barrels, a decrease of 6,600 barrels when compared with the preceding week. It was, however, 2,450 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of January, 1945, and exceeded the output in the week ended Jan. 29, 1944 by 317,700 barrels per day. Daily production for the four weeks ended Jan. 27, 1945, averaged 4,715,500 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines approximately 4,756,000 barrels of crude oil daily and produced 14,957,000 barrels of gasoline; 1,673,000 barrels of kerosene; 4,843,000 barrels of distillate Fuel, and 9,252,000 barrels of residual fuel oil during the week ended Jan. 27, 1945; and had in storage at the end of that week; 46,412,000 barrels of civilian grade gasoline; 42,811,000 barrels of military and other gasoline; 9,481,000 barrels of kerosene; 33,651,000 barrels of distillate fuel, and 51,119,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	•P. A. W. Recommendations January	•State Allowables Begin. Jan. 1	Actual Production Week Ended Jan. 27, 1945	Change from Previous Week	4 Weeks Ended Jan. 27, 1945	Week Ended Jan. 29, 1944
Oklahoma	352,000	356,000	†361,900	— 600	361,600	328,800
Kansas	274,000	269,400	†267,250	— 9,300	261,600	286,700
Nebraska	1,200	----	†950	— 50	1,000	1,150
Panhandle Texas			88,700	----	88,700	97,900
North Texas			143,150	----	143,150	140,200
West Texas			478,600	----	478,600	364,600
East Central Texas			144,050	----	144,050	116,400
East Texas			385,700	----	378,300	366,200
Southwest Texas			342,350	----	342,350	293,550
Coastal Texas			552,600	----	552,600	520,800
Total Texas	2,124,000	‡2,124,054	2,135,150	----	2,127,750	1,899,650
North Louisiana			68,000	— 1,000	69,100	76,850
Coastal Louisiana			289,200	----	289,200	280,900
Total Louisiana	355,000	395,000	357,200	— 1,000	358,300	357,750
Arkansas	80,000	79,975	81,300	— 400	81,350	78,300
Mississippi	53,000		48,850	+ 1,250	49,100	44,400
Alabama	300		300	+ 50	250	----
Florida	----		50	----	50	----
Illinois	200,000		201,050	+ 2,800	202,450	217,200
Indiana	12,500		12,600	+ 50	12,700	14,000
Eastern— (Not incl. Ill., Ind., Ky.)	68,200		57,500	— 6,300	61,550	73,600
Kentucky	32,000		29,450	— 1,000	29,800	22,500
Michigan	47,000		46,700	+ 4,150	47,300	52,900
Wyoming	100,000		98,000	— 1,750	97,650	97,050
Montana	23,000		20,400	----	20,400	20,950
Colorado	9,500		10,050	+ 600	9,500	6,300
New Mexico	105,000	105,000	103,150	----	103,200	113,000
Total East of Calif.	3,836,700		3,831,850	—11,500	3,825,550	3,614,250
California	888,000	§888,000	895,300	+ 4,900	889,950	795,200
Total United States	4,724,700		4,727,150	— 6,600	4,715,500	4,409,450

•P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Jan. 25, 1945.

‡This is the net basic allowable as of Jan. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 27, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	Gasoline Stocks Military and Other	Gasoline Stocks Civilian Grade
East Coast	100.0	774	106.2	1,927	6,955	4,951	6,391	5,857
Appalachian—								
District No. 1	83.9	103	79.2	308	419	277	1,399	1,221
District No. 2	87.2	59	125.5	192	237	243	605	1,135
Ind., Ill., Ky.	85.2	799	97.0	3,029	4,925	2,693	6,156	14,324
Okla., Kans., Mo.	80.2	395	94.5	1,446	1,949	1,278	2,256	6,822
Inland Texas	66.9	225	80.9	881	384	661	1,045	1,702
Texas Gulf Coast	90.5	1,123	96.4	3,444	6,817	8,848	10,112	5,397
Louisiana Gulf Coast	95.5	289	119.4	940	1,276	1,336	2,360	2,143
No. La. & Arkansas	68.0	76	73.1	196	842	259	976	1,780
Rocky Mountain—								
District No. 3	17.0	10	76.9	33	20	28	10	71
District No. 4	58.3	118	83.7	390	340	550	575	1,221
California	89.9	785	96.1	2,171	9,487	29,995	10,926	4,739
Total U. S. B. of M. basis Jan. 27, 1945	87.2	4,756	96.9	14,957	33,651	51,110	*42,811	46,412
Total U. S. B. of M. Basis Jan. 20, 1945	87.2	4,686	95.5	14.554	35,041	52,554	42,926	45,782
U. S. Bur. of Mines basis Jan. 29, 1944		4,364		13,294	37,251	52,980	36,346	44,571

*Includes aviation, military, solvents and naphthas, and gasoline blending stocks currently indeterminate as to ultimate use, and 11,689,000 barrels of Unfinished gasoline this week, compared with 12,167,000 barrels last week (revised) and 11,893,000 barrels a year ago. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,673,000 barrels of kerosine, 4,843,000 barrels of gas oil and distillate fuel oil and 9,252,000 barrels of residual fuel oil produced during the week ended Jan. 27, 1945, which compares with 1,556,000 barrels, 4,586,000 barrels and 9,082,000 barrels, respectively, in the preceding week and 1,631,000 barrels, 4,196,000 barrels and 8,700,000 barrels, respectively, in the week ended Jan. 29, 1944.

Note—Stocks of kerosine at Jan. 27, 1945, amounted to 9,481,000 barrels, as against 9,445,000 barrels a week earlier and 8,314,000 barrels a year before.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Feb. 6	121.44	114.08	119.82	118.20	113.89	105.52	109.79	114.08	118.80
5	121.44	114.08	119.82	118.00	113.89	105.52	109.79	113.89	118.80
3	121.37	114.08	119.82	118.20	113.89	105.34	109.60	114.08	118.80
2	121.33	114.08	119.82	118.00	113.89	105.34	109.60	114.08	118.80
1	121.11	113.89	119.61	118.00	113.70	105.34	109.42	113.89	118.80
Jan. 31	121.06	113.89	119.41	118.00	113.70	105.34	109.42	113.89	118.80
30	120.97	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
29	120.81	113.89	119.41	118.00	113.50	105.17	109.24	113.89	118.60
27	120.84	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
25	120.82	113.70	119.20	118.00	113.50	105.00	109.06	113.89	118.60
24	120.88	113.70	119.20	118.00	113.50	105.00	109.06	113.70	118.60
23	121.13	113.70	119.20	117.80	113.50	105.00	109.06	113.70	118.60
22	121.14	113.70	119.20	117.80	113.31	105.00	108.88	113.70	118.60
20	121.16	113.70	119.20	117.80	113.70	105.00	108.88	113.70	118.60
19	121.09	113.70	119.20	118.00	113.70	105.00	108.88	113.70	118.60
18	121.17	113.70	119.20	117.80	113.70	105.00	109.06	113.70	118.60
17	121.20	113.70	119.20	117.80	113.70	105.00	109.06	113.70	118.60
16	121.03	113.70	119.00	117.80	113.70	105.00	109.06	113.70	118.40
15	121.16	113.70	119.00	117.80	113.50	105.00	109.06	113.70	118.40
13	121.25	113.70	119.00	118.00	113.50	104.83	108.88	113.70	118.40
12	121.25	113.70	119.00	118.00	113.50	104.83	109.06	113.70	118.40
11	121.22	113.70	119.00	118.00	113.50	104.83	108.88	113.70	118.40
10	121.03	113.50	119.00	118.00	113.31	104.83	108.88	113.70	118.40
9	120.79	113.50	119.00	117.80	113.31	104.66	108.70	113.70	118.40
8	120.78	113.50	119.00	117.80	113.31	104.66	108.70	113.70	118.20
6	120.67	113.50	119.00	117.80	113.50	104.66	108.70	113.89	118.20
5	120.66	113,50	119,00	117.80	113.50	104.66	108.70	113.89	118.20
4	120.66	113.50	119.00	117.80	113.50	104.48	108.70	113.89	118.20
3	120.62	113.50	118.80	117.80	113.50	104.48	108.70	113.89	118.20
2	120.55	113.50	119.00	117.80	113.31	104.48	108.52	113.89	118.20
1	Stock Exchange Closed								
High 1945	121.44	114.08	118.80	117.80	113.89	105.52	109.79	114.08	118.80
Low 1945	120.55	113.50	119.82	118.20	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Feb. 5, 1944	119.50	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
2 Years Ago									
Feb. 6, 1943	117.09	108.88	117.80	115.04	109.97	94.71	99.20	112.75	115.43

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Feb. 6	1.73	2.95	2.66	2.74	2.96	3.42	3.18	2.95	2.71
5	1.73	2.95	2.66	2.75	2.96	3.42	3.18	2.96	2.71
3	1.73	2.95	2.66	2.74	2.96	3.43	3.19	2.95	2.71
2	1.73	2.95	2.66	2.75	2.96	3.43	3.19	2.95	2.71
1	1.75	2.96	2.67	2.75	2.97	3.43	3.20	2.96	2.71
Jan. 31	1.76	2.96	2.68	2.75	2.97	3.43	3.20	2.96	2.71
30	1.76	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
29	1.77	2.96	2.68	2.75	2.98	3.44	3.21	2.96	2.72
27	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
25	1.77	2.97	2.69	2.75	2.98	3.45	3.22	2.96	2.72
24	1.77	2.97	2.69	2.75	2.98	3.45	3.22	2.97	2.72
23	1.75	2.97	2.69	2.76	2.98	3.45	3.22	2.97	2.72
22	1.75	2.97	2.69	2.76	2.99	3.45	3.23	2.97	2.72
20	1.75	2.97	2.69	2.76	2.97	3.45	3.23	2.97	2.72
19	1.75	2.97	2.69	2.75	2.97	3.45	3.23	2.97	2.72
18	1.75	2.97	2.69	2.76	2.97	3.45	3.22	2.97	2.72
17	1.74	2.97	2.69	2.76	2.97	3.45	3.22	2.97	2.72
16	1.76	2.97	2.70	2.76	2.97	3.45	3.22	2.97	2.73
15	1.75	2.97	2.70	2.76	2.98	3.45	3.22	2.97	2.73
13	1.74	2.97	2.70	2.75	2.98	3.46	3.23	2.97	2.73
12	1.74	2.97	2.70	2.75	2.98	3.46	3.22	2.97	2.73
11	1.74	2.97	2.70	2.75	2.98	3.46	3.23	2.97	2.73
10	1.76	2.98	2.70	2.75	2.99	3.46	3.23	2.97	2.73
9	1.78	2.98	2.70	2.76	2.99	3.47	3.24	2.97	2.73
8	1.78	2.98	2.70	2.76	2.99	3.47	3.24	2.97	2.74
6	1.78	2.98	2.70	2.76	2.98	3.47	3.24	2.96	2.74
5	1.79	2.98	2.70	2.76	2.98	3.47	3.24	2.96	2.74
4	1.79	2.98	2.70	2.76	2.98	3.48	3.24	2.96	2.74
3	1.79	2.98	2.71	2.76	2.98	3.48	3.24	2.96	2.74
2	1.80	2.98	2.70	2.76	2.99	3.48	3.25	2.96	2.74
1	Stock Exchange Closed								
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.73	2.95	2.66	2.74	2.96	3.42	3.18	2.95	2.71
1 Year Ago									
Feb. 5, 1944	1.86	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
2 Years Ago									
Feb. 6, 1943	2.06	3.23	2.76	2.90	3.17	4.09	3.80	3.02	2.88

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Manufacturing Workers' Earnings at New All-Time Peak in November, Says Conference Bd.

Average weekly earnings of wage earners in the 25 manufacturing industries surveyed each month by the National Industrial Conference Board were at an all-time peak of $49.46 in November, while hourly earnings regained their October loss to equal the record September level of $1.08, according to the Board's advices of Feb. 2, which also said:

"The lowest average of weekly earnings was $31.83 in the boot and shoe industry, while the four highest averages were shown for the following industries: automobile, $58.24; iron and steel, $57.34; rubber, $58.06; and foundries and machine shops, $57.08.

"These figures include overtime and other monetary compensation.

"The changes in payroll statistics from October to November as shown by the Conference Board's survey are summarized as follows:

"**Hourly earnings** rose 0.1% to $1.080. They were 3.7% higher than in November, 1943, 42.3% above the level of January, 1941, base date of the Little Steel formula, and 83.1% above that of 1929.

"**Weekly earnings** at $49.46 were 0.1% higher than in October, 4.0% above those of November, 1943, 61.6% above January, 1941, and 73.2% higher than in 1929.

"**'Real' weekly earnings**, or dollar weekly earnings adjusted for changes in living costs, declined 0.2% in November. They were 2.1% greater than in November, 1943, 32% above January, 1941, and 64.6% above the 1929 level.

"**Hours worked per week** averaged 45.6, or 0.2% less than in October. The average was 0.1 hour, or 0.2%, above November, 1943, 5.4 hours, or 13.4% above January, 1941, but 2.7 hours, or 5.6% less than the average worked in 1929.

"**Employment** in the twenty-five industries declined 0.5% in November, the twelfth consecutive monthly decline. It was 10.6% below November, 1943, but 23.1% above January, 1941, and 36.5% above 1929.

"**Man hours** worked in the twenty-five inndustries declined 0.8% and were 10.4% below November, 1943. They were, however, 39.7% above January, 1941, and 28.8% above the 1929 average.

"**Payrolls** in November fell off 0.3% and were 7.0% below those of November, 1943. They were 99.1% higher than in January, 1941, and 136.5% above the 1929 average.

Resume Servicing of Finnish Bonds

Secretary Morgenthau announced on Feb. 1 that, after consultation with the State Department, Foreign Funds Control licenses are being granted authorizing the resumption of servicing in the United States of the following Finnish Government bond issues:

City of Helsingfors 6½% Bonds of 1960.

Finland's Residential Mortgage Bank 6% Bonds of 1961.

Republlic of Finland 6% External Loan Sinking Fund Bonds of 1945.

In addition, licenses are being granted authorizing payment by the Finnish Government of $240,660.96 to the Export-Import Bank, representing one-half of the semi-annual interest due November 1, 1944, on the loan of the Export-Import Bank to the Finnish-American Trading Corporation, and $235,445.16 to the United States Treasury, representing the December 15, 1944, installment of interest and principal on the 3½% loan of 1923 made by this Government to the Republic of Finland.

Rep. O'Connor Dies

Representative Francis O'Connor (Democrat), of Livingston, Mont., died on Jan. 14 in the Roosevelt Hotel, Washington, D. C., where he resided. Mr. O'Connoir was 66 years of age. In Washington, D. C., Associated Press advices Jan. 14 it was stated:

Born near California Junction, Iowa, Mr. O'Connor served in the Montana State Legislature and on the Federal Trade Commission prior to his election to Congress in 1936. He was Chairman of the Indian Affairs Committee of the House.

Mr. O'Connor was first elected to Congress from the Second Montana district in 1936. He was re-elected in 1938, 1940 and 1942.

He was graduated from the University of Nebraska Law School in 1904, and after practicing law became Judge of the Sixth Judicial District of Montana in 1912. In 1917 and 1918 he was a member of the Montana Legislature, serving as Speaker of the House.

He was a special counsel for the Federal Trade Commission at Washington in 1918.

In addition to his Indian Affairs chairmanship Mr. O'Connor was a member of the Census, Flood Control, Irrigation and Reclamation, Public Lands, Territories and War Claims committees.

His son, Lieut. Miles J. O'Connor, who had been at his home at Livingston on a furlough, was reported at the time of his father's death as en route to Navy duty in Seattle, Wash.

Moody's Daily Commodity Index

Tuesday, Jan. 30, 1945	252.1
Wednesday, Jan. 31	252.5
Thursday, Feb. 1	253.6
Friday, Feb. 2	253.0
Saturday, Feb. 3	253.1
Monday, Feb. 5	253.6
Tuesday, Feb. 6	254.0
Two weeks ago, Jan. 23	252.7
Month ago, Jan. 6	254.7
Year ago, Feb. 6, 1944	247.3
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Jan. 8	255.3
Low, Jan. 24	252.1

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Jan. 27, 1945, is estimated at 11,680,000 net tons, a decrease of 280,000 tons, or 2.3%, from the preceding week. Output in the corresponding week of 1944 amounted to 12,830,000 tons. For the calendar year to Jan. 27, 1945, soft coal production totaled 46,365,000 tons, a decrease of 10.3% when compared with the 51,710,000 tons produced in the calendar year to Jan. 29, 1944.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Jan. 27, 1945, was estimated at 959,000 tons, a decrease of 40,000 tons (4%) from the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 315,000 tons, or 24.7%. Production for the calendar year to date amounted to 3,873,000 tons, as against 4,824,000 tons in the corresponding period in 1944.

The Bureau also reported that the estimated production of beehive coke for the week ended Jan. 27, 1945, showed a decrease of 16,200 tons when compared with the output for the week ended Jan. 20, 1945; and was 71,200 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	Jan. 27, 1945	Jan. 20, 1945	Jan. 29, 1944	*Jan. 27, 1945	Jan. 29, 1944
Total, including mine fuel	11,680,000	11,960,000	12,830,000	46,365,000	51,710,000
Daily average	1,947,000	1,993,000	2,138,000	1,965,000	2,094,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡Jan. 27, 1945	§Jan. 20, 1945	Jan. 29, 1944	Jan. 27, 1945	Jan. 29, 1944	Jan. 30, 1937
*Total incl. coll. fuel	959,000	999,000	1,274,000	3,873,000	4,824,000	4,236,000
†Commercial produc.	921,000	959,000	1,223,000	3,718,000	4,631,000	4,024,000
Beehive coke—						
United States total	95,400	111,600	166,600	383,600	664,100	272,700

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Jan. 20, 1945	Jan. 13, 1945	Jan. 22, 1944
Alabama	376,000	378,000	403,000
Alaska	7,000	7,000	5,000
Arkansas and Oklahoma	107,000	110,000	103,000
Colorado	171,000	173,000	195,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,495,000	1,467,000	1,644,000
Indiana	578,000	584,000	550,000
Iowa	63,000	60,000	54,000
Kansas and Missouri	176,000	182,000	185,000
Kentucky—Eastern	1,030,000	1,055,000	980,000
Kentucky—Western	354,000	343,000	349,000
Maryland	36,000	34,000	38,000
Michigan	2,000	2,000	6,000
Montana (bitum. & lignite)	110,000	115,000	109,000
New Mexico	35,000	34,000	39,000
North & South Dakota (lignite)	79,000	76,000	78,000
Ohio	670,000	682,000	689,000
Pennsylvania (bituminous)	2,715,000	2,780,000	2,990,000
Tennessee	143,000	146,000	173,000
Texas (bituminous & lignite)	4,000	4,000	6,000
Utah	140,000	157,000	144,000
Virginia	385,000	400,000	417,000
Washington	35,000	32,000	35,000
†West Virginia—Southern	2,145,000	2,184,000	2,265,000
‡West Virginia—Northern	888,000	924,000	982,000
Wyoming	214,000	220,000	209,000
§Other Western States	1,000	*	1,000
Total bituminous & lignite	11,960,000	12,150,000	12,650,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Wholesale Prices for Week Ended January 27

Lower prices for fruits and vegetables and for eggs brought the Bureau of Labor Statistics' index of commodity prices in primary markets down 0.1% during the week ended Jan. 27, said the weekly report issued by the U. S. Dept. of Labor on Feb. 1, which continued by saying: "Average prices for both farm products and foods dropped 0.6% during the week. The decline offset the increase of the preceding week and again placed the all-commodity index at 104.7% of the 1926 average, the level reached at the end of December. The index is now 1.6% higher than at this time last year." The Department's advices further said:

"**Farm Products and Foods**—Led by declines of 6% for rye, 4% for oats and 1.5% for cotton, together with lower quotations for eggs, apples, citrus fruits and sweet potatoes, average prices for farm products fell a little over one-half of 1% during the week. Livestock and poultry advanced 0.3%, due to an increase of 3.7% for sheep and 0.3% for hogs. The grain market advanced fractionally with wheat up 1.2% and corn 0.2%. Higher prices were also reported for hay and for white potatoes at Boston and New York and for onions. In the past four weeks farm product prices at the primary market level have declined 0.7%. They were, however, 2.6% higher than at the end of January a year ago.

"The decrease of 0.6% in average prices for food was largely the result of a decline of over 3% for fruits and vegetables and 1.4% for eggs. Cereal products decreased slightly because of lower prices for flour. Except for higher quotations for potatoes in eastern markets and for onions, there were no important increases in market prices for foods during the week. The foods group index has declined 1% since the end of December and it was 0.3%lower than at this time last year.

"**Industrial Commodities**—The most important change in industrial commodity markets was a further rise of over 3% in the mercury market, which brought the index for the metal products group up 0.1%.

The Labor Department included the following notation in their report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for December 30, 1944, and Jan 29, 1944, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from Jan. 20, 1945, to Jan. 27, 1945.

WHOLESALE PRICES FOR WEEK ENDED JAN. 27, 1945

(1926=100)

						Percentage change to Jan. 27, 1945 from—		
Commodity Groups—	1-27 1945	1-20 1945	1-13 1945	12-30 1944	1-29 1944	1-20 1945	12-30 1944	1-29 1944
All commodities	104.7	104.8	104.7	104.7	103.1	—0.1	0	+ 1.6
Farm products	125.8	126.6	126.3	126.7	122.6	—0.6	—0.7	+ 2.6
Foods	104.4	105.0	104.7	105.5	104.7	—0.6	—1.0	— 0.3
Hides and leather products	117.9	117.9	117.9	117.9	117.8	0	0	+ 0.1
Textile products	99.0	99.0	99.0	99.0	97.2	0	0	+ 1.9
Fuel and lighting materials	83.9	83.9	83.9	83.6	83.1	0	+0.4	+ 1.0
Metals and metal products	104.3	104.2	104.0	103.9	103.8	+0.1	+0.4	+ 0.5
Building materials	116.7	116.7	116.4	116.4	113.5	0	+0.3	+ 2.8
Chemicals and allied products	104.9	104.9	104.9	104.8	100.4	0	+0.1	+ 4.5
Housefurnishing goods	106.1	106.1	106.1	106.1	104.4	0	0	+ 1.6
Miscellaneous commodities	94.0	94.0	94.0	93.9	93.0	0	+0.1	+ 1.1
Raw materials	115.3	115.8	115.6	115.7	112.7	—0.4	—0.3	+ 2.3
Semimanufactured articles	94.8	94.8	94.7	94.7	93.1	0	+0.1	+ 1.8
Manufactured products	101.6	101.6	101.4	101.3	100.4	0	+0.3	+ 1.2
All commodities other than farm products	100.0	100.0	99.9	99.8	99.0	0	+0.2	+ 1.0
All commodities other than farm products and foods	99.3	99.3	99.2	99.1	98.0	0	+0.2	+ 1.3

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JAN. 20, 1945 TO JAN. 27, 1945

Increases

Paper and pulp	0.5	Livestock and poultry	0.3
Grains	0.2		

Decreases

Fruits and vegetables	3.1	Other foods	0.4
Other farm products	1.5	Cereal Products	0.1

Electric Output for Week Ended Feb. 3, 1945 Increased 0.3% Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Feb. 3, 1945, was approximately 4,538,552,000 kwh., which compares with 4,524,134,000 kwh. in the corresponding week a year ago, and 4,576,713,000 kwh. in the week ended Jan. 27, 1945. The output of the week ended Feb. 3, 1945, was 0.3% in excess of that in the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	Feb. 3	Jan. 27	Jan. 20	Jan. 13
New England	2.3	1.8	2.5	3.5
Middle Atlantic	*2.0	*0.2	*0.9	*0.7
Central Industrial	2.2	4.1	4.2	3.4
West Central	8.4	9.8	10.6	10.2
Southern States	5.6	6.4	5.3	5.4
Rocky Mountain	*10.8	*12.6	*11.1	*9.6
Pacific Coast	*2.5	*5.4	*3.6	*0.2
Total United States	0.3	1.2	1.2	1.7

*Decrease under similar week in previous year.

Note—Because the same week a year ago contained the New Year holiday, no percentage comparison is available for the week ended Jan. 6.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Nov. 4	4,354,939	4,413,863	— 1.3	3,761,961	1,520,730	1,798,164
Nov. 11	4,396,595	4,482,665	— 1.9	3,775,878	1,531,584	1,793,584
Nov. 18	4,450,047	4,513,299	— 1.4	3,795,361	1,475,268	1,818,169
Nov. 25	4,368,519	4,403,342	— 0.8	3,766,381	1,510,337	1,718,002
Dec. 2	4,524,257	4,560,158	— 0.8	3,883,534	1,518,922	1,806,225
Dec. 9	4,538,012	4,566,905	— 0.6	3,937,524	1,563,384	1,840,863
Dec. 16	4,563,079	4,612,994	— 1.1	3,975,873	1,554,473	1,860,021
Dec. 23	4,616,975	4,295,010	--	3,655,926	1,414,710	1,637,683
Dec. 30	4,225,814	4,337,287	— 2.6	3,779,993	1,619,265	1,542,000
Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
Jan. 6	4,427,281	4,567,959	--	3,952,587	1,602,482	1,733,810
Jan. 13	4,614,334	4,539,083	+ 1.7	3,952,479	1,598,201	1,736,721
Jan. 20	4,588,214	4,531,662	+ 1.2	3,974,202	1,588,967	1,717,315
Jan. 27	4,576,713	4,523,763	+ 1.2	3,976,844	1,588,853	1,728,203
Feb. 3	4,538,552	4,524,134	+ 0.3	3,960,242	1,578,817	1,726,161
Feb. 10		4,532,730		3,939,708	1,545,459	1,718,304
Feb. 17		4,511,562		3,948,749	1,512,158	1,699,250
Feb. 24		4,444,939		3,892,796	1,519,679	1,706,719

Steel Output at Lower Rate—Higher Prices Near—Buying Heavy and Deliveries Extended

The American Iron and Steel Institute on Feb. 5 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 89.3% of capacity for the week beginning Feb. 5, compared with 90.1% one week ago, 93.0% one month ago and 97.2% one year ago. The operating rate for the week beginning Feb. 5 is equivalent to 1,610,800 tons of steel ingots and castings, compared to 1,625,200 tons one week ago, 1,677,500 tons one month ago, and 1,741,800 tons one year ago. Steel production for the current week is the smallest of any non-holiday week since July 22-29, 1940.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Feb. 5 stated in part as follows:

Higher prices on some carbon steel products may be approved by Office of Price Administration within the next few weeks, based on the fact that steelmaking costs have risen since prices were frozen, some probably effective before the end of February.

Steel orders in January were perhaps the heaviest on record and deliveries are extending rapidly, with adverse factors of weather and labor shortage important factors in the latter. Some producers have been forced to reduce production to the lowest level of the war years. Prospects for early improvement are not bright as further railroad embargoes are thought likely. Threat of a miners' strike is a further factor in considering future conditions.

Extension of deliveries is not only impressive in major products, carbon bars and hot and cold-rolled sheets, but in various specialties also, with a general stiffening all along the line.

Broadening shell and small arms ammunition requirements are making good the forecast of several weeks ago and bar needs continue to grow. Deliveries on large diameters fall in third quarter, directives being needed for earlier delivery. Some makers can book hot-rolled sheets in July, with most quoting August and September and cold-rolled for August to October.

Some effect of limitation of pig iron inventory to 30 days may be noticed in specifying for February and March but this is not expected to be important, as many melters have not carried heavy stocks. Better shipments from the Buffalo district have eased the situation for some eastern foundries. Some had been forced to curtail or suspend production. Better car supply is moving iron from furnace stocks in that area. Shortage of labor continues a deterrent to full castings output.

President Appeals To People to Grow, Share, And Preserve Food

An appeal to help the people in the United States to continue to grow, preserve and share food until the war is won, was made on Jan. 22 by President Roosevelt. Under that date, Associated Press advices from Washington said:

"President Roosevelt in sending 'calls to action' to the American people today to help in getting food produced and seeing that it is conserved and shared, prompted the attachment of special significance to his statement by saying that it was issued in accordance with desires of Marvin Jones, War Food Administrator, and the Office of Price Administration.

"Apparently it was linked with the projected drafting of younger farmers now deferred, but the White House would not say whether it foreshadowed additional food rationing.

"Congress is now embroiled over the Selective Service Administration's call for a review of agricultural deferments for young men, with farm-State legislators pressing for a stiffly worded directive requiring literal application of the Tydings act, which is a 'blueprint' for farm deferments. The farm group insists that if more agricultural workers are inducted food production will suffer.

"Another suggestion was that the President might have been laying the groundwork for tighter food rationing, but officials of the OPA said that no major changes are under consideration. It was indicated that there will be few point value changes in February. In recent weeks the OPA restored almost all meats and cooking and salads fats to the point list."

Mr. Roosevelt's appeal, according to Washington advices to the New York "Times" Jan. 22, said:

"I ask the people in cities, towns and villages to assist our farmers in every possible way to reach the food goals which have been set for this year.

"I call upon the millions of victory gardeners who have done so much to swell the nation's food supply in these war years to continue their good work. I ask those people who can spare the time to assist the nation's food processors in the task of preparing the food for our armed services, our civilians and our Allies.

"I ask the millions of women who have preserved food at home so that our armed services could have the fruits and vegetables they need to carry on until the war is won. I ask every American to share our available food by observing the rules of rationing and by cooperating with food merchants in the observance of food price ceilings.

"I know I can count on the American people to respond to these calls to action so that we can all truly continue to say when the war is won that our food has played an important role in the fight for freedom."

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 31 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Jan. 13, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Jan. 13 (in round-lot transactions) totaled 3,706,422 shares, which amount was 15.10% of the total transactions on the Exchange of 12,274,350 shares. This compares with member trading during the week ended Jan. 6 of 2,850,464 shares, or 16.61% of the total trading of 8,578,480 shares. On the New York Curb Exchange, member trading during the week ended Jan. 13 amounted to 821,620 shares, or 13.39% of the total volume on that exchange of 3,068,495 shares. During the Jan. 6 week trading for the account of Curb members of 625,805 shares was 14.27% of total trading of 8,578,480 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JAN. 13, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	316,460	
‡Other sales	11,957,890	
Total sales	12,274,350	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	885,380	
Short sales	117,490	
‡Other sales	796,780	
Total sales	914,270	7.33
2. Other transactions initiated on the floor—		
Total purchases	624,490	
Short sales	42,400	
‡Other sales	567,720	
Total sales	610,120	5.03
3. Other transactions initiated off the floor—		
Total purchases	344,012	
Short sales	31,000	
‡Other sales	297,150	
Total sales	328,150	2.74
4. Total—		
Total purchases	1,853,882	
Short sales	190,890	
‡Other sales	1,661,650	
Total sales	1,852,540	15.10

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JAN. 13, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	35,015	
‡Other sales	3,033,480	
Total sales	3,068,495	
B. Round-Lot Transaction for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	204,440	
Short sales	16,300	
‡Other sales	206,510	
Total sales	222,810	6.96
2. Other transactions initiated on the floor—		
Total purchases	108,275	
Short sales	11,700	
‡Other sales	104,705	
Total sales	116,405	3.66
3. Other transactions initiated off the floor—		
Total purchases	77,660	
Short sales	1,900	
‡Other sales	90,130	
Total sales	92,030	2.77
4. Total—		
Total purchases	390,375	
Short sales	29,900	
‡Other sales	401,345	
Total sales	431,245	13.39
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	92,615	
Total purchases	92,615	
Total sales	75,242	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Civil Engineering Construction $28,716,000 For Week

Civil engineering construction volume in continental United States totals $28,716,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, tops the preceding week by 226%, is 30% above the previous four-week moving average, but is 19% below the volume reported for the corresponding 1944 week by "Engineering News-Record." The report made public on Feb. 1 continued as follows:

Private construction for the week is 188% higher than a week ago, but is 62% under a year ago. Public work is 243 and 32% higher, respectively, than a week ago and a year ago. Both state and municipal construction and federal work exceed their totals for last week and last year.

The current week's construction brings 1945 volume to $116,909,000 for the five weeks, a decrease of 39% from the $192,041,000 reported for the 1944 period. Private construction, $39,765,000, is 9% lower than a year ago, and public construction, $77,144,000, is down 48% as a result of the 57% drop in federal work. State and municipal volume is 82% higher than in the 1944 period.

Civil engineering construction volumes for the 1944 week, last week, and the current week are:

	Feb. 3, 1944	Jan. 25, 1945	Feb. 1, 1945
Total U. S. Construction	$35,523,000	$8,791,000	$28,716,000
Private Construction	19,380,000	2,576,000	7,403,000
Public Construction	16,143,000	6,215,000	21,313,000
State and Municipal	1,786,000	744,000	2,317,000
Federal	14,357,000	5,471,000	18,996,000

In the classified construction groups, gains over last week are in waterworks, sewerage, bridges, industrial, commercial and public buildings, and unclassified construction. Gains over the 1944 week are reported in waterworks, sewerage, bridges, public buildings, and unclassified construction. Subtotals for the week in each class of construction are: waterworks, $675,000; sewerage, $1,714,000; bridges, $512,000; industrial buildings, $3,637,000; commercial building and large-scale private housing, $2,977,000; public buildings, $12,319,000; earthwork and drainage, $106,000; streets and roads, $179,000; and unclassified construction, $6,597,000.

New capital for construction purposes for the week totals $81,654,000. It is made up of $77,504,000 in state and municipal bond sales, including the $75,000,000 New York City bond sale for various construction purposes, and $4,150,000 in corporate security issues.

The week's new financing brings 1945 volume to $184,871,000, a volume 24% above the $149,588,000 reported for the opening five-week period in 1944.

Non-Ferrous Metals — Allocation of Zinc Weighted by WPB—Quicksilver Again Higher

"E. & M. J. Metal and Mineral Markets," in its issue of Feb. 1, stated: "Demand for zinc by grades has been uneven, and some classifications have moved into a tight position, although others remain in ample supply. The problem of taking care of essential needs in grades that threaten to become scarce—Special High Grade and Prime Western—has been considered in WPB circles, and allocation of all grades as a means of handling the situation looms as a possibility. A second amendment to the lead order is expected shortly. Quicksilver prices advanced, notwithstanding increased offerings of the metal from foreign sources. Favorable war news exerted no influence on the market for non-ferrous metals last week." The publication further went on to say in part as follows:

Copper

Consumption of copper is at a high level, and the stockpile has been drawn upon to meet the extra heavy demands.

President Roosevelt, on Jan. 24, ordered the War Department to take over and operate the Bingham & Garfield Railroad after 37 trainmen voted to strike. The railroad, operating over a distance of some 20 miles in the Utah copper area, hauls a substantial part of the country's copper ore to processing mills.

British commentators are wondering whether the 11.75c. New York electro basis agreed upon in payment for Rhodesian copper will prove to be as much as the producers obtained under former Ministry of Supply contracts. Blister and fire-refined copper will be shipped to this country from Africa and freight, insurance, and refining charges will enter into the calculations in arriving at the net price obtained by producers.

Lead

A second amendment to the lead order M-38 is about ready, and, when released, is expected to clear up a few points not generally understood by consumers, particularly in reference to the inventory clause. However, the latest revision is not expected to alter the situation much one way or the other so far as producers are concerned. Deliveries of lead in February are expected to be smaller in volume than those of January.

Sales in the domestic market for the last week totaled 9,095 tons.

In reviewing the lead situation before the Colorado Mining Association in Denver, Jan. 27, F. E. Wormser, Secretary of the Lead Industries Association, said that since last May the demand for lead has been so strong that the government's stockpile has been reduced from a peak of 273,000 tons to an estimated 80,000 tons at the end of January, 1945. Estimated consumption of lead in 1944 was 1,060,500 tons.

We need about 90,000 tons of lead a month, Mr. Wormser said, and have available from primary producers 32,000; scrap producers 30,000, and imports 18,000 to 20,000. "A quick calculation shows that demand and prospective supply do not balance. The deficit of about 10,000 tons is the amount it is necessary to curtail the use of lead per month without drawing further on the government's stock pile." Imports of pig lead for 1944 were estimated at 220,000 tons, against 243,000 tons in 1943 and 369,000 tons in 1942. Imports of lead in ores, etc., amounted to about 90,000 tons in 1944, against 70,000 tons in 1943 and 123,000 tons in 1942.

The settling basis on imports of Mexican lead has been raised from 5.45c. f.o.b. Mexican border to 5.85c. The revised figure corresponds to the prevailing 6.50c. basis, New York. The higher level was agreed upon to offset higher costs.

Zinc

Though total stocks of slab zinc remain large, a breakdown of the reserve supply by grades indicates that both Special High Grade and Prime Western are moving into a really tight position. To cope with this uneven supply situation, WPB has been considering the allocation of zinc. Some producers belive that full allocation is hardly necessary under present circumstances, and that regulations, if any is called for, should be limited to the grades that are tight. Washington authorities lean to the view that partial allocation would only complicate matters.

Labor shortages continue as the chief factor limiting production of both Special High Grade and the ordinary brand.

Tin

Authorizations for the use of tin that existed prior to Sept. 1, 1944, have been cancelled through Direction 1 to Order M-43, issued by WPB last week. This action, it was explained, was necessary to eliminate authorizations for tin uses now prohibited.

The selling basis for tin remained unchanged. Straits quality tin for shipment, in cents per pound, was nominally as follows:

	Feb.	March	April
January 25	52.000	52.000	52.000
January 26	52.000	52.000	52.000
January 27	52.000	52.000	52.000
January 29	52.000	52.000	52.000
January 30	52.000	52.000	52.000
January 31	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

Imported quicksilver has been figuring in transactions to a greater extent. Foreign metal has been purchased for shipment from Canada, Mexico, and Chile. Spanish metal has not been offered here. Most operators hold that consumption of quicksilver will continue to rise, and imports as well as Metals Reserve metal will be needed to meet the demand. During last week quicksilver sold at prices ranging from $165 to $170 per flask. Several round lots were included in the transactions.

Silver

Distinctions between the use of Treasury "free" silver and domestic silver have been removed by Direction 3 to Order M-199, WPB announced last week. This Treasury silver can now be used for any purpose for which domestic silver could formerly be used. However, it does not increase the amounts of silver that may be used under WPB orders.

The London market was unchanged at 25½d. The New York Official for foreign silver was unchanged at 44¾c., with domestic at 70⅝c.

Life Insurance Purchases Increased In 1944

With 24% fewer ordinary life insurance agents in the field during 1944 than in pre-war 1940, 27% more new ordinary life insurance was purchased by the American public, resulting in an increase of 66% in the average of new insurance per agent, it is shown by the Life Insurance Sales Research Bureau, in an analysis made public Jan. 30 of the business of 35 life insurance companies handling ordinary insurance only. The announcement further says:

"In addition, these agents have rendered the field service to policyholders on a total of ordinary insurance in force which has increased 20% in the four years.

"The sales and service accomplishment per agent has increased each year during the war, as the manpower total has decreased, so that the business has not only maintained its pre-war status but has grown.

"The experience in Canada has been similar, the Research Bureau survey shows, with the average new ordinary insurance per agent up 65% in the same four-year period."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 31 a summary for the week ended Jan. 20 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Jan. 20, 1945

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	31,065
Number of shares	916,118
Dollar value	$33,979,468
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	190
*Customers' other sales	28,828
Customers' total sales	29,018
Number of Shares:	
Customers' short sales	6,840
*Customers' other sales	821,020
Customers' total sales	827,860
Dollar value	$28,390,679
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	80
†Other sales	212,030
Total sales	212,110
Round-Lot Purchases by Dealers:	
Number of shares	266,720

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings During Week Ended Jan. 27, 1945 Decreased 18,450 Cars

Loading of revenue freight for the week ended Jan. 27, 1945 totaled 758,870 cars, the Association of American Railroads announced on Feb. 1. This was a decrease below the corresponding week of 1944 of 52,020 cars, or 6.4%, but an increase above the same week in 1943 of 24,200 cars or 3.3%.

Loading of revenue freight for the week of January 27, decreased 18,450 cars, or 2.4% below the preceding week.

Miscellaneous freight loading totaled 372,218 cars, a decrease of 7,224 cars below the preceding week, and a decrease of 3,751 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 96,281 cars, a decrease of 1,566 cars below the preceding week, and a decrease of 6,409 cars below the corresponding week in 1944.

Coal loading amounted to 165,221 cars, a decrease of 7,213 cars below the preceding week, and a decrease of 20,325 cars below the corresponding week in 1944.

Grain and grain products loading totaled 43,756 cars, a decrease of 2,278 cars below the preceding week and a decrease of 12,059 cars below the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Jan. 27, totaled 29,628 cars, a decrease of 1,450 cars below the preceding week and a decrease of 9,107 cars below the corresponding week of 1944.

Livestock loading amounted to 14,602 cars, a decrease of 812 cars below the preceding week and a decrease of 631 cars below the corresponding week in 1944. In the Western Districts alone loading of live stock for the week of Jan. 27, totaled 10,620 cars, a decrease of 328 cars below the preceding week, and a decrease of 118 cars below the corresponding week in 1944.

Forest products loading totaled 40,772 cars, an increase of 1,663 cars above the preceding week but a decrease of 3,841 cars below the corresponding week in 1944.

Ore loading amounted to 11,628 cars, a decrease of 277 cars below the preceding week and a decrease of 3,526 cars below the corresponding week in 1944.

Coke loading amounted to 14,392 cars, a decrease of 743 cars below the preceding week, and a decrease of 1,478 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944 except the Centralwestern and Southwestern. All reported increases compared with 1943 except the Eastern and Allegheny.

	1945	1944	1943
Week of January 6	682,967	769,629	717,176
Week of January 13	782,387	779,531	755,498
Week of January 20	777,320	798,650	703,294
Week of January 27	758,870	810,890	734,670
Total	3,001,544	3,158,700	2,910,638

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Jan. 27, 1945. During this period only 40 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JAN. 27

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	294	250	268	1,486	1,562
Bangor & Aroostook	2,494	2,713	2,548	380	296
Boston & Maine	6,077	6,841	5,790	12,817	15,436
Chicago, Indianapolis & Louisville	1,201	1,410	1,400	2,336	2,470
Central Indiana	33	43	31	47	38
Central Vermont	972	1,098	912	2,228	2,368
Delaware & Hudson	4,244	5,691	6,506	12,104	13,451
Delaware, Lackawanna & Western	6,550	7,593	7,603	8,361	11,034
Detroit & Mackinac	189	162	267	118	120
Detroit, Toledo & Ironton	1,694	2,198	1,891	2,356	1,920
Detroit & Toledo Shore Line	380	363	303	3,946	3,921
Erie	11,215	12,466	12,185	16,902	20,666
Grand Trunk Western	4,063	3,694	3,545	10,349	10,029
Lehigh & Hudson River	123	172	149	3,052	3,737
Lehigh & New England	1,466	1,861	1,776	1,408	1,426
Lehigh Valley	6,593	8,943	8,095	10,545	16,766
Maine Central	2,315	2,525	2,588	3,977	4,820
Monongahela	3,826	6,516	5,955	342	309
Montour	2,163	2,643	2,636	20	15
New York Central Lines	41,857	43,451	44,945	48,712	59,135
N. Y., N. H. & Hartford	9,104	10,118	8,375	15,959	20,431
New York, Ontario & Western	650	981	891	2,976	2,739
New York, Chicago & St. Louis	5,991	6,706	7,220	15,435	17,677
N. Y., Susquehanna & Western	423	637	449	2,074	2,639
Pittsburgh & Lake Erie	6,696	8,114	7,900	6,706	8,280
Pere Marquette	4,638	4,609	4,748	8,735	8,742
Pittsburg & Shawmut	800	899	715	9	33
Pittsburg, Shawmut & North	222	383	335	232	333
Pittsburgh & West Virginia	772	1,166	933	2,988	2,580
Rutland	306	385	303	754	830
Wabash	5,664	6,567	5,689	13,063	13,350
Wheeling & Lake Erie	5,450	4,932	4,853	5,443	4,631
Tot	138,475	161,125	151,804	215,860	251,834
Allegheny District—					
Akron, Canton & Youngstown	892	798	713	1,697	1,303
Baltimore & Ohio	38,671	43,097	36,224	29,723	27,949
Bessemer & Lake Erie	*2,082	2,575	3,046	1,419	1,654
Buffalo Creek & Gauley	†	†	385	†	†
Cambria & Indiana	965	1,902	1,714	8	6
Central R. R. of New Jersey	5,856	6,567	6,285	19,168	21,772
Cornwall	348	624	465	40	50
Cumberland & Pennsylvania	*203	236	204	3	12
Ligonier Valley	100	161	125	26	56
Long Island	1,210	1,480	1,009	2,974	3,818
Penn-Reading Seashore Lines	1,668	1,651	1,316	2,315	2,700
Pennsylvania System	69,687	79,240	71,892	63,431	67,120
Reading Co.	12,868	14,787	13,556	27,930	31,047
Union (Pittsburgh)	18,541	19,812	20,288	3,654	4,593
Western Maryland	3,919	4,294	3,437	14,623	14,519
Total	157,015	177,624	160,609	167,017	176,600
Pocahontas District—					
Chesapeake & Ohio	29,072	29,474	25,345	13,058	12,150
Norfolk & Western	21,972	22,818	21,234	10,653	7,606
Virginian	4,739	4,699	4,424	2,541	1,484
Total	55,783	56,991	51,003	26,252	21,240
Southern District—					
Alabama, Tennessee & Northern	460	314	361	414	420
Atl. & W. P.—W. R. R. of Ala	782	794	661	2,802	2,476
Atlanta, Birmingham & Coast	916	784	637	1,750	1,464
Atlantic Coast Line	12,729	13,601	14,472	13,442	12,926
Central of Georgia	3,512	3,988	3,754	5,985	6,619
Charleston & Western Carolina	403	430	416	1,873	1,840
Clinchfield	1,615	1,618	1,669	3,743	3,618
Columbus & Greenville	291	299	320	372	276
Durham & Southern	120	105	91	933	342
Florida East Coast	2,956	3,387	2,966	1,501	1,814
Gainesville Midland	43	48	36	150	126
Georgia	936	1,051	1,291	2,781	2,562
Georgia & Florida	514	452	356	852	819
Gulf, Mobile & Ohio	4,631	4,005	3,452	4,343	4,196
Illinois Central System	26,958	29,322	26,882	17,757	17,385
Louisville & Nashville	26,903	25,806	23,299	12,671	12,431
Macon, Dublin & Savannah	196	161	169	843	928
Mississippi Central	271	225	171	537	611
Nashville, Chattanooga & St. L.	3,122	3,428	2,887	4,993	4,827
Norfolk Southern	830	965	1,125	1,670	1,695
Piedmont Northern	352	435	339	1,354	1,689
Richmond, Fred. & Potomac	384	452	302	10,518	12,638
Seaboard Air Line	9,946	10,944	10,181	8,504	10,223
Southern System	23,629	23,758	21,154	26,892	26,775
Tennessee Central	561	628	332	892	913
Winston-Salem Southbound	145	137	96	1,551	914
Total	123,205	127,137	117,419	129,123	130,527
Northwestern District—					
Chicago & North Western	15,451	15,883	14,651	14,369	15,035
Chicago Great Western	2,774	2,702	2,546	3,561	3,532
Chicago, Milw., St. P. & Pac.	21,388	21,847	19,055	11,452	11,598
Chicago, St. Paul, Minn. & Omaha	3,258	3,842	3,837	3,909	4,124
Duluth, Missabe & Iron Range	1,227	1,305	1,266	229	267
Duluth, South Shore & Atlantic	642	701	659	638	583
Elgin, Joliet & Eastern	8,810	8,781	8,932	12,962	10,627
Ft. Dodge, Des Moines & South	315	437	372	106	120
Great Northern	11,403	12,548	9,795	5,341	5,007
Green Bay & Western	450	520	479	1,019	903
Lake Superior & Ishpeming	264	309	265	64	59
Minneapolis & St. Louis	1,906	2,346	1,765	2,497	2,376
Minn., St. Paul & S. S. M.	4,537	5,690	4,484	3,331	3,614
Northern Pacific	10,041	10,541	8,034	5,724	5,151
Spokane International	160	112	42	566	739
Spokane, Portland & Seattle	2,318	2,231	1,335	3,778	2,921
Total	84,944	89,795	77,517	69,546	66,656
Central Western District—					
Atch., Top. & Santa Fe System	24,080	22,128	19,349	14,892	13,664
Alton	3,445	3,066	3,183	5,030	4,004
Bingham & Garfield	377	466	700	65	119
Chicago, Burlington & Quincy	19,814	21,027	17,966	12,739	12,378
Chicago & Illinois Midland	3,231	2,891	2,759	942	962
Chicago, Rock Island & Pacific	12,255	12,052	11,166	14,641	13,124
Chicago & Eastern Illinois	2,785	3,049	2,285	5,483	5,726
Colorado & Southern	744	769	764	2,083	2,030
Denver & Rio Grande Western	3,966	3,565	3,684	6,023	6,223
Denver & Salt Lake	791	875	802	24	4
Fort Worth & Denver City	756	1,007	1,039	1,366	1,750
Illinois Terminal	2,497	2,317	1,564	2,162	2,030
Missouri-Illinois	856	955	900	745	552
Nevada Northern	1,461	1,821	1,653	103	147
North Western Pacific	697	719	534	1,009	829
Peoria & Pekin Union	5	16	37	0	0
Southern Pacific (Pacific)	28,064	29,676	21,937	15,260	14,679
Toledo, Peoria & Western	253	595	400	2,253	1,921
Union Pacific System	17,189	16,224	13,989	16,498	17,010
Utah	618	679	635	3	11
Western Pacific	1,853	1,605	1,561	4,263	3,295
Total	125,737	125,502	106,937	105,584	100,458
Southwestern District—					
Burlington-Rock Island	367	306	683	1,077	380
Gulf Coast Lines	6,830	7,041	6,588	2,821	2,311
International-Great Northern	2,854	1,953	3,308	3,964	4,200
Kansas, Oklahoma & Gulf	208	260	278	952	1,110
Kansas City Southern	4,417	5,006	5,327	2,647	2,544
Louisiana & Arkansas	3,524	3,414	3,208	2,613	2,609
Litchfield & Madison	379	286	270	1,289	1,325
Midland Valley	697	726	583	538	484
Missouri & Arkansas	152	247	117	526	504
Missouri-Kansas-Texas Lines	6,753	5,400	6,016	5,240	5,424
Missouri Pacific	17,574	17,621	15,701	19,436	20,518
Quanah Acme & Pacific	80	119	109	402	248
St. Louis-San Francisco	9,671	8,843	8,709	8,475	9,884
St. Louis Southwestern	3,656	3,268	2,985	7,384	6,553
Texas & New Orleans	11,126	12,916	11,241	5,476	5,453
Texas & Pacific	5,296	5,200	4,152	8,458	7,447
Wichita Falls & Southern	95	73	82	45	64
Weatherford M. W. & N. W.	32	27	24	24	34
Total	73,711	72,706	69,381	71,367	71,092

*Previous week's figure. †Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
November 4	207,817	157,644	535,745	96	94
November 11	141,154	158,266	515,738	96	94
November 18	135,644	156,667	494,062	96	94
November 25	110,144	149,062	450,898	91	94
December 2	189,731	154,682	484,811	94	94
December 9	173,669	154,822	501,946	95	94
December 16	137,936	152,695	480,929	94	94
December 23	126,115	149,031	451,891	94	94
December 30	109,895	88,105	471,289	57	93
Period 1945—Week Ended					
January 6	189,769	125,882	532,194	80	80
January 13	149,921	150,011	524,308	95	87
January 20	131,901	150,876	503,240	94	89
January 27	159,885	152,075	510,931	95	91

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Truckloading Volume In December Declined

The volume of freight transported by motor carriers in December deceased 7.8% below November and 5.7% under December, 1943, according to American Trucking Associations, Inc, which further announced as follows:

Comparable reports received by ATA from 241 carriers in 44 States showed these carriers transported an aggregate of 1,600,044 tons in December, as against 1,735,567 in November and 1,696,124 in December of 1943.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 169.94 in December; the Noember index figure was 188.45.

Approximately 84% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 7.9% below November and was 5.4% under December of 1943.

Transportation of petroleum products, accounting for about 10% of the total tonnage reported, showed a decrease of 1.9% below November but was 10.7% below December of the previous year.

Carriers of iron and steel products hauled about 2% of the total tonnage. Their traffic volume was 35.4% below November and 11.9% under December of 1943.

About 4% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class increased 1.1% above November and was 6.8% above December, 1943.

O'Brien Quits SEC

The acceptance by President Roosevelt of the resignation of Robert H. O'Brien as a member of the Securities and Exchange Commission was made known on Dec. 29, according to Associated Press advices from Washington.

Mr. O'Brien gave "pressing personal reasons" for leaving the Government service, which he entered in 1934 as a lawyer in the Public Works Administration. The press accounts on Dec. 29 added:

He practiced law in Chicago before entering the Government. He became a member of the SEC Feb. 3, 1942. He is a native of Helena, Mont.

"Your work over the years with the Commission," Mr. Roosevelt wrote, "has been an outstanding example of public service."

In Philadelphia, Mr. O'Brien announced that he will become special assistant to Barney Balaban, President of Paramount Pictures, Inc., soon after Jan. 1.

Lumber Movement—Week Ended January 27, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 481 mills reporting to the National Lumber Trade Barometer were 7.3% above production for the week Jan. 27, 1945. In the same week new orders of these mills were 31.0% more than production. Unfilled order files of the reporting mills amounted to 96% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 37 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 5.9%: orders by 22.6%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 50.5% greater; shipments were 37.3% greater; and orders were 50.7% greater.

Items About Banks, Trust Companies

At a meeting of the Board of Directors of Sterling National Bank & Trust Co. of New York held on Feb. 1, L. F. Fiammenghi was elected Assistant Vice-President in the Foreign Department of the bank's main office at Broadway and 39th Street. Mr. Fiammenghi for the past 25 years has been actively engaged in this city in the foreign banking field.

The Union Dime Savings Bank, New York, N. Y., reported in its statement of condition as of Jan. 1, 1945, that total deposits are $168,303,057 against $151,517,564 on Jan. 1, 1944, while total resources are now $186,503,502 compared with $169,382,914 a year ago. Cash now stands at $7,343,195 while it was $10,590,971 last year; U. S. Government bonds are now $107,000,000 against $81,610,396; mortgages on real estate (less reserve) are $63,601,285 compared with $65,209,478. The surplus fund at the latest date, Jan. 1, 1945, is shown to be $18,000,359 compared with $17,595,378 a year ago.

The bank also said in its recent report that as of Dec. 30, 1944, War Bonds sold by the bank totaled 237,488 bonds, having maturity value of $21,430,800.

David P. Zahniser, Comptroller of the Union National Bank of Pittsburgh, Pa., since 1940, was recently named Assistant Vice-President and Comptroller." He has been connected with this institution since 1925," said the Pittsburgh "Post Gazette" of Jan. 12, which also stated that "Curtis W. Cording, Harold L. Gregg and Lee F. Mason were elected Assistant Cashiers."

Douglas Gorman, Maryland banker and former State Chairman of the NRA program in Maryland in 1933, died on Jan. 29 at the age of 62 years. Mr. Gorman was President of the Cumberland Coal Co. and had been a director of the Hopkins Place Savings Bank, Baltimore, Md., according to the Baltimore "Sun," which also reported that he was formerly President of the Annapolis Gas and Electric Light Co. and a director of the Maryland Casualty Co.

Albert Beauregard Schwarzkopf, Vice-President of the Norfolk National Bank of Commerce, Norfolk, Va., and for 22 years President of the Hampton Roads Maritime Exchange, died on Jan. 27 at Norfolk, Va.

Advices from Norfolk to the New York "Times" reported that Mr. Schwarzkopf, who helped found the Norfolk National Bank in 1885, had been President of the Norfolk Association of Commerce for more than 15 years and was a Vice-President of the Atlantic Deeper Waterways Association.

At the annual meeting of the State Bank of Milwaukee, Milwaukee, Wisc., on Jan. 10, Joseph M. Wolf, Vice-President of the bank, was elected to the Board of Directors; G. B. Schaefer, Assistant Cashier, was advanced to Assistant Vice-President.

Olney D. Newman, veteran Kansas banker for over 20 years, has resigned as President of the Garden National Bank, Garden City, Kan., which he helped found 10 years ago to become a Vice-President of the Interstate National Bank, Kansas City, Mo. Kansas City "Star" advices noting this, stated:

"He has a wide acquaintance throughout the Southwest, having served in 1940 as President of the Kansas Bankers' Association."

The death of Edgar Lackland Taylor, Vice-President of the Boatmen's National Bank, St. Louis, Mo., was announced on Jan. 29 by the St. Louis "Globe Democrat," which further said:

"Mr. Taylor (who was 74 years old at the time of his death) had been connected with the bank for more than 50 years, having started as a clerk while his grandfather, Rufus J. Lackland, was President. He had served as a Vice-President about 20 years, and for the past 10 years was also Secretary of the Board of Directors."

Earl R. Muir, President of the Louisville Trust Co. of Louisville, Ky., announced on Jan. 29 that the bank has retired $200,000 of preferred stock held by the Reconstruction Finance Corporation.

In reporting this the Louisville "Courier Journal" said:

"The RFC retains $300,000 of Louisville Trust preferred out of an original commitment of $1,000,000 made in March, 1934. Retirements were nominal until January, 1942, only $50,000 having been retired in those first few years.

"In January, 1942, the bank bought in $20,000 of the issue, and in February, 1943, a like amount, followed by $60,000 in December, 1943. In June, 1944, the bank paid off $150,000, so the net retirement in the last nine months has been $350,000.

"Additional good news for the stockholders and depositors of Louisville Trust on Jan. 28 was Mr. Muir's announcement that $300,000 was added to surplus. This boosted total surplus to $1,400,000, which exceeds combined preferred and common stock by $100,000. (The bank has $1,000,000 of common stock outstanding in addition to the $300,000 of preferred.)

"Net worth of Louisville Trust now aggregate $3,227,000," Mr. Muir said. "Preferred and common stock total, $1,300,000; surplus, $1,400,000; undivided profits, $370,000, and other net worth reserves, $157,000. The common stock was 27 bid yesterday in the over-the-counter market."

The year just closed has been a good one for the Third National Bank of Nashville, Tenn., from the standpoint of growth, earnings and development in all departments of the bank.

Deposits and total resources again showed a substantial increase totaling $85,556,119.51 and $89,720,924.37, respectively, at the year-end, thus continuing the record of growth since 1927. Earnings, after allowing fully for depreciation, all taxes, amply for bond premium amortization, and all other charges, were $454,891.87. Out of earnings, $150,000, or $15 per share was paid in dividends, $50,000 was added to reserves for contingencies and $254,891.87 was added to undivided profits account, bringing that account as of the year-end to $674,055.76, holdings of Government securities rose from $1,500,000 to $30,000,000, a gain of 2,000%.

At the last stockholders' meeting all former directors were reelected and two new directors were added to the Board—J. T. Ward, WLAC Broadcasting Service, and John S. Bransford, President of Springfield Woolen Mills.

Wilfred J. Begnaud, Louisiana State Banking Commissioner, and Joseph A. Ellis, acting special agent of the banking department, announced on Jan. 26 that the Union Bank & Trust Co. of Baton Rouge, La., which has been in liquidation since 1933, will be returned to the stockholders on Feb. 28, with all depositors paid in full and with remaining assets sufficient to pay the stockholders 30 cents on the dollar. Baton Rouge Associated Press Jan. 25 advices further reported:

"The bank had a capital stock of $150,000. After payment of all obligations the banking department now has on hand $13,000 plus other assets estimated to be worth $32,000, which are to be turned over to the stockholders.

At the annual meeting of the Board of Directors of the Bank of California on Jan. 9, Kenneth R. Cochran, Auditor, was named Assistant Manager of the Portland branch, and F. Boyce Fenton was made an Assistant Trust Officer of the Portland branch.

Following the annual meeting of the board of the United States National Bank, Portland, Ore., last month, Hugh J. Walker, Comptroller of the bank, was elevated to the position of Cashier. He fills the vacancy caused by the death of Harold L. Stiles.

The Commercial Bank of Scotland Ltd., Edinburgh, Scotland, reported in its balance sheet as of Oct. 28, 1944, that total assets were £101,038,914 compared with £93,885,653 at the same time in 1943. Deposits and other credit balances (including provision for contingencies) was shown to be £83,237,872 against £76,566,160 in October, last year, while British Government treasury deposit receipts were £12,000,000 compared with £9,000,000 a year ago last October. Capital issued remained unchanged at £2,250,000, but the reserve fund increased over last year from £3,450,000 to £3,525,000.

Sav. Bank Deposits In N. Y. State Now Over $7,000,000,000

"In 1944 the Savings Banks of New York State showed a net gain in deposits of $948,824,453," Myron S. Short, president of the Savings Banks Association, announced on Jan. 16. "This amazing growth in savings," he stated, "reveals the common sense and self-denial of millions of average citizens—industrial and white collar workers alike. Despite the huge demands upon the individual for taxes and war bonds and with tempting luxuries within reach, these people have forged ahead in the building of an unprecedented savings reserve."

The net gain in deposits during 1944, it is stated, was 15.4% and brings the total deposits as of the end of the year to $7,115,897,726 and the number of accounts to 6,405,828, representing a gain of 279,677 accounts exclusive of 105,338 fifteen-year-old "abandoned accounts" turned over to the State Comptroller in November.

During December the gain in savings bank deposits was the second largest of any month last year, totaling $92,000,494, with the number of accounts increasing by 27,892.

"There has been a steadily increasing momentum of saving in the mutual savings banks since Pearl Harbor—which contrasts with the experience during the silk shirt days of World War I," said Mr. Short. "In the other war we barely held our own, and it was not until after the business recession of 1921 that deposits really started to climb."

The advices from the association also state:

"Savings bank gains in 1944 were accomplished while records were being made by these institutions in sales of war bonds to their depositors and others. During the Sixth War Loan, which closed in December, the savings banks sold a total of $49,163,148 in bonds. Sales in the three war loans of 1944 (exclusive of purchases by the savings banks, themselves) amounted to $249,069,983. War bonds amounting to $30,169,213 were sold by the savings banks in December. Since May 1, 1941 the banks have sold $932,426,587 in such bonds."

Assets of New York Federal Reserve Bank at End of 1944 Show Advance

Total assets of the Federal Reserve Bank of New York advanced on Dec. 31, 1944 to $10,819,655,000 from $9,537,938,000 at the end of 1943. In referring to the bank's report, it was noted in the New York "Herald Tribune" that the figures shown constitute about one-quarter of all twelve Federal Reserve Banks, and makes the New York Central Bank the largest bank in the world. Its nearest competitor in size, said the same paper, is the Federal Reserve Bank of Chicago, the total assets of which on Dec. 31, 1944, were $6,635,745,183.

The earnings of the Federal Reserve Bank of New York for the calendar year 1944 were $28,993,000 compared with $17,998,000 in 1943. The net expenses in 1944 were $11,445,000 against $10,034,000 in the previous year, and the current net earnings in 1944 are reported as $17,548,000 as compared with $7,964,000 the year before. Net earnings of $18,505,000 in 1944 contrast with $15,331,000 in 1943. These figures are shown in the New York Reserve Bank's 30th annual statement issued on Jan. 5, by Allan Sproul, President.

Additions to the $17,548,000 current net earnings in 1944 included profits on sales of U. S. Government securities of $829,000, and all other $133,000; or a total of $962,000 comparing with total additions of $10,245,000 to the current net earnings of $7,964,000 in 1943 of which $10,217,000 represented profits on sales of U. S. Government securities and $28,000 all other additions. There were total deductions of $2,878,000 from the $7,964,000 current net earnings of 1943; of which $2,389,000 was on account of the retirement system, $482,000 special reserve on bank premises and all other $7,000 against only $5,000 (all other) deducted from the 1944 current net earnings of $17,548,000.

The Bank's statement of condition shows total reserves Dec. 31, 1944 of $5,313,259,000 compared with $6,001,376,000 at the end of 1943; holdings of U. S. Government securities rose during the year from $3,000,110,000 to $4,815,765,000, while total deposits increased in the twelve months to Dec. 31, 1944 from $5,320,745,000 to $5,483,653,000.

The following is Bank's profit and loss account for the calendar years 1943 and 1944:

(In thousands of dollars)

	1943	1944
Earnings	$17,998	$28,993
Net expenses	10,034	11,445
Current net earnings	$7,964	$17,548
Additions to current net earnings:		
Profits on sales of U. S. Government securities	$10,217	$829
All other	28	133
Total additions	$10,245	$962
Deductions from current net earnings:		
Retirement system	$2,389	----
Special reserve on bank premises	482	----
All other	7	$5
Total deductions	$2,878	$5
Net earnings	$15,331	$18,505
Paid United States Treasury (Section 13b)	$18	$80
Dividends paid	3,280	3,483
Transferred to surplus (Section 13b)	22	51
Transferred to surplus (Section 7)	12,011	14,891
Surplus (Section 7) beginning of year	$58,001	$70,012
Addition as above	12,011	14,891
Surplus (Section 7) end of year	$70,012	$84,903

Lincoln-Alliance Employes in Service Reminded of Co.'s Interest in Their Behalf in Post-War

That many banking institutions, like that of the Bank of Montreal, have taken post-war measures in behalf of their employees is evidenced from time to time. The proposals of the Canadian bank were noted in our issue of Jan. 18, page 272. From the annual report of President Raymond N. Ball, of the Lincoln-Alliance Bank & Trust Co. of Rochester, N. Y., presented to the stockholders on Jan. 16, we observe that that institution has likewise focused attention on those of its employees now serving in the armed forces, and sent to each at Christmas a check in an amount equal to one week's compensation at the time they left the service. President Ball at the same time addressed to each of the men and women now in the armed services, a letter which in part said:

"Some day this dreadful conflict will be over—sooner, I hope, than we can now anticipate. Then you will have but one thought in mind—that of getting home. That will also be our thought. When you left we promised you a job upon your return. We shall live up to our promise. We realize, however, that in the service many of you have discovered talents which you did not know that you possessed which may lead you into new fields of endeavor. We believe that some of you may be undecided, when you return, as to the work which you may desire to undertake. We have been thinking of these problems and have arrived at several basic conclusions.

"To those of you who desire to return to the bank, your old job, or a better one if we can provide it, is awaiting you. To you who will return uncertain in mind as to what you may care to do in the future, you will be welcomed back to the bank and put on the payroll so that you may have 'bread and butter' during the time you are making your future plans. We, during your readjustment period, will do all we can to be of help to you."

In his report to the stockholders Mr. Ball also says:

"The progress of our Company depends largely upon the loyal services of our officers and employees some 459 in number in the banking departments and 67 building employees. In 1929 a Retirement Annuity Plan was adopted. The Plan is a contributory one to which employee and Company contribute. As of December 31, 1944, the Plan's assets totaled $735,420.10. Our employees also enjoy Group Life Insurance, Sickness and Accident Insurance and insurance covering Surgical costs. Each employee who has been with the Company a year shares in the Employees Wage Dividend payable each year in December and in an amount which is based upon the common dividends declared. This year each eligible employee received one-and-one half week's additional compensation."

Am. Chemical Society Cancels Spring Meeting

The annual Spring meeting of the American Chemical Society, largest organization of professional chemists in the world, will not be held in 1945, it is announced by Dr. Charles L. Parsons, Secretary of the Society, following action by the board of directors. Practically the entire membership of the Society is engaged in essential war work, it was explained by Dr. Parsons, who expressed the Society's desire to cooperate fully with the Government in meeting difficulties of transportation.